EKONOMI OCH SAMHÄLLE

Skrifter utgivna vid Svenska handelshögskolan
Publications of the Swedish School of Economics
and Business Administration

Nr 132

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# FADING CUSTOMER RELATIONSHIPS

Helsingfors 2004

Fading Customer Relationships

Key words: Fading, Fading Relationships, Fading Processes, Dissolution, Ending, Relationship Dynamics, Relationship Development, Customer Relationships, Relationship Dyad, Financial Services, Professional Services, Relationship Marketing



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E-mail: publ@hanken.fi
http://www.hanken.fi

ISBN 951-555-843-3 (printed)
ISBN 951-555-844-1 (PDF)
ISSN 0424-7256

Yliopistopaino, Helsingfors 2004

# Fading Customer Relationships

**To my family**

# Acknowledgements

I've just begun my journey into the world of customer relationships. This dissertation constitutes a map that hopefully will make it easier to come to terms with, and get deeper into the territories that I have yet to explore. I have met many important persons throughout the journey to whom I would like to direct my warmest thoughts.

I would first of all like to express my sincere gratitude to my supervisor Professor Tore Strandvik who has an extraordinary gift of opening my mind. It is unusual to meet someone who constantly triggers new thoughts and with whom discussions always leave a desire to keep on looking for the path you new existed, but so far had not seen. I have also received tremendous help from my assistant supervisor, Dr. Maria Holmlund-Rytkönen whose proficiency and thorough reading of my manuscript helped me develop my argumentation and the consistency of my thoughts. I could not have made it without the two of you! The support and courage I have received from my research group manager Professor Christian Grönroos from the day he welcomed me to the Swedish School of Economics and Business Administration until today has also been most valuable. Your firm conviction that this dissertation finally would come true has sometimes been the only reason that has kept me writing.

It is a pleasure to have Associate Professor Virpi Havila and Professor Bernd Stauss as my official dissertation examiners. Associate Professor Havila's expertise has been valuable not only during the review process, but also when meeting on workshops where helpful comments and encouraging discussions always has been her trademark. I would also like to direct my appreciation to Professor Bernd Stauss whose thoughtful comments helped the enhancement of the manuscript. I must also thank Professor Sören Kock and Björn West for providing me with important suggestions for improvements at the manuscript seminar.

The bank with which I have been cooperating has given me the opportunity and trust to talk about a fairly delicate subject with some of their most important customers as well as their financial advisors. Special thanks go to the respondents with whom I have had many interesting discussions. I also want to thank my helpful and committed contact person who has devoted time and effort into reading and commenting the manuscript as well as offered valuable assistance during the research process.

I would furthermore like to thank Professor Lars-Gunnar Mattsson and Professor Magnus Söderlund for giving me the opportunity to visit Stockholm School of Economics during my first year as a doctoral student. I was there introduced to Adjunct Professor Karl-Olof Hammarkvist who has meant a lot to me during this research process. He did not only help me with valuable contacts, but also showed genuine interest in my research by reading and commenting texts and discussing my research strategy. Not only his expertise, but also his personality is remarkable.

I am also indebted to Professor Evert Gummesson, Professor Kent Eriksson, Professor Lars Engwall and Professor Birger Rapp for the opportunity to attend doctoral courses at Stockholm and Uppsala University as well as courses within the Swedish Research School of Management and IT (MIT). Leon Kaiserlidis at Uppsala University has especially been very helpful during this time. I would also like to thank the doctoral students within MIT for vivid discussions both day- and nighttime. Dr Jan-Erik Jaensson and Professor Maria Bengtsson have finally welcomed me to Umeå School of Business and Economics during the last year of my doctoral studies. Thank you all!

It was a true advantage to receive funding from the Göran Collert Foundation for the entire research period already from start. Mr Göran Collert and the other members of the board have shown personal interest in our research, which has been appreciated by me as well as the other members of the research group. I would like to mention Professor Kent Eriksson who has particularly supported me within the Future of Retail Banking project. I also thank the Marcus Wallenberg Foundation and Hankens Fonder for supporting conferences and travel expenses.

My colleagues at CERS have always been there for me despite the fact that I have spent most of my time working in Sweden. I would like to thank my sister-in-arms Dr Christina Dahlblom who always has stood by my side and shared both victories and losses. Dr Kristina Heinonen has also been a needed and supporting friend with whom I have shared a lot. Catharina Solhäll has been a dear friend when coming (home) to Helsinki whose door always has been open. Tiina Vihtkari and Kaisa Snellman have also been important to me. Your never-ending hospitality has really been appreciated! Carita Ekenstén-Möller has furthermore always been of great help and I will miss her wonderful laughter that constantly fills the corridors. You have, together with my other fantastic colleagues at CERS made these years filled with joy.

I am privileged to have two sets of colleagues. Among my colleagues at the Umeå School of Business and Economics I would like to thank my office companion Andreas Sjödin for bringing a good laughter to every day, as well as my friends and colleagues Simone Wenisch, Marlene Johansson, Johan Jansson and all other colleagues who have offered support and friendship as well as late evening shift company, nice dinner parties, ski trips and much more. Thank you!

My friends outside the academic world have also encouraged my work as well as kept me sane by discussing what life really is all about. I cannot mention you all since you fortunately are so many, but I wouldn't have made it without you!

My family has finally had the most important role during these years. My ever-encouraging mother, father and brother have always believed in me. I couldn't have been luckier when I was born into this world. I am glad to be able to meet you as well as my sister-in-law, nephew, nieces, grandmother, cousins and relatives more often nowadays. Your interest and help during the research process has meant much more to me than I sometimes have shown. I guess I could blame my northern mentality for not expressing my gratitude well enough, but I hope you are able feel it anyway.

The one within my family that without doubt has followed the ups and downs of this research process closest of all is my beloved Johan. He is an incredible person who has saved this project of mine from extinction at a number of times with his down-to-earth perspective on life. I feel extremely lucky to be able to share my life with you!

Umeå, June 11th 2004
Helena Åkerlund

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# 1 Introduction

Interest in the nature of relationships has increased in business-to-business marketing as well as business-to-consumer marketing literature during the last decades. Berry (1983) used the word relationship marketing for the first time in services literature in 1983 (Berry, 1995) whereas Jackson (1985) used the term in a business-to-business context in 1985 as opposite to transaction marketing (Gummesson, Lehtinen and Grönroos, 1997). This study is influenced by the relationship marketing tradition where the lasting of customer relationships has remained in focus, and theories looking at the nature of these relationships as well as the management of the same have emerged.

Within this tradition, more attention has been put on the growing of relationships compared to the ending of the same (Dwyer, Schurr and Oh, 1987; Roos, 1999a; Tähtinen, 2001) implicitly assuming that the understanding of maintenance and growth would be enough to ensure lasting relationships and avoid relationship termination. The assumption that the same factors affecting relationship growth (e.g. loyalty) would also affect relationship dissolution has however been rejected (e.g. Keaveney, 1995; LaBarbera and Mazursky, 1983). It has for example been stated that the dissolution of a relationship would be the reversal of the growing of a relationship (Altman and Taylor, 1973) assuming that processes may be reversible (Asplund, 1967). This notion of a symmetric reversible process development has however been contradicted not only with regards to commercial relationships, but also within research examining romantic interpersonal relationships (e.g. Baxter, 1985; Duck, 1981, 1982). This knowledge deficit opens up the opportunity to learn more about the opposite process to relationship growth, here conceptualised as the fading process of a relationship.

Growing and ending relationship processes are in other words not necessarily reflections of each other (Duck, 1981, 1982; Baxter, 1985). More and more attention has therefore been put on ending relationships per se (e.g. Athanassopoulos, 2000; Athanassopoulos et al, 2001; Bansal and Taylor, 1999; Bolton, 1998; Bolton and Bronkhorst, 1995; Colgate and Hedge 2001; Colgate, Stewart and Kinsella, 1996; Coulter and Ligas, 2000; Ganesh et al, 2000; Garland, 2002; Grönhaug, Henjesand and Koveland, 1999; Halinen and Tähtinen, 2002; Havila, 1996; Havila et al, 2001; Havila and Wilkinson, 2002; Helper, 1993; Henke, 1995; Hirschman, 1970; Hocutt 1998; Jones and Sasser, 1995; Keaveney 1995; Michalski, 2002; Mittal and Lassar, 1998; Nordman, 2004; Nordman and Åkerlund, 2002; Ping, 1993; 1994; Reichheld and Sasser, 1990; Roos, 1999a, b; Stewart 1998a,b; Tuominen and Kettunen, 2003; Tähtinen 1999, 2001, 2002; Åkerlund, 2000), and how the ending of relationships could be understood.

One of the central aspects of relationship marketing is the processual perspective of relationship development (Möller and Halinen, 2000; Sheth and Parvatiyar, 1995b). Models have been presented looking at different phases of the relationship process development in both business-to-business (e.g. Dwyer, Schurr and Oh, 1987; Ford, 1980; Halinen, 1994; Tähtinen, 2001; 2002) and business-to-consumer marketing (Coulter and Ligas, 2000; Michalski, 2002; Roos, 1999a, b, c; Stewart, 1998b) but the main focus in research focusing on the ending process of relationships has been on drivers or antecedents rather than looking at the dynamics of the processes. This dissertation will concentrate on the processual aspects of fading relationships.

A fading relationship process could precede a relationship ending, but could also represent a temporal weakening of the relationship without leading to termination, thus distinguishing the concept from other concepts within ending research which focus solely on relationships that have been terminated. It therefore takes a larger aspect of the relationship into account (as a relationship could build on constant changes) compared to only studying the processes that leads to an ending. Fading is related to "ending" just as much as it is related to "staying". Altering forces or factors influencing the development of the relationship have been discussed in Nyberg (2002) who examine the concepts of preserving and changing forces as well as Nordman (2004) who talks about loyalty-supporting and loyalty-repressing factors.

Fading is here perceived as the process of a temporal or a permanent weakening in the relationship strength and could therefore be seen as equivalent to the terms breakdown and decline used in research on interpersonal relationships by Duck (1981; 1982). Fading is here defined as "*the weakening of relationship strength, where the outcome of the process is not yet known*". Reasons for fading can thus be found both in the relationship itself (including both actors) as well as the context surrounding it (e.g. competitors, life situation etc.). The nature of fading can be active, when the customer seeks a relationship decline, or passive, when the fading takes place with no active or deliberate actions. The fading phase could furthermore have natural causes and should not be looked upon as a state that is necessarily bad.

Two aspects mainly direct the centre of attention solely to the fading process instead of also incorporating the growing process of relationships. The process of managing growing relationships, or more often discussed from the point of view of increasing customer loyalty has, as already been mentioned, more often been the focus of attention in relationship marketing research compared to the ending process of relationships. Focusing on the growing of customer relationships would thus represent an area that contributes less to the knowledge of customer relationships compared to the weakening process of relationships.

Furthermore there are obvious managerial implications involved with the understanding of the fading process of relationships. Fading processes incorporate potential negative consequences to the relationship. McKinsey (2001:02) emphasizes the value loss of silent attrition (customers who reduce their relationship but do not defect entirely) as larger than the loss due to customer defection alone. Customers may for example move investment funds and loans to another bank offering lower interests or better investment conditions while keeping accounts in the former bank. From a management point of view such behaviour would render higher costs and lower profitability in the former bank. A total switching instead of a behaviourally weakened relationship would, in the short run, have been a better outcome for the former bank. In such a situation, understanding fading relationships becomes more valuable than only understanding completely terminated relationships.

Understanding the somewhat neglected process of fading relationships would also make it possible to prevent potential relationship termination; it would also recognise when the fading relationship does not necessarily lead to a negative outcome for the company, and so make it possible to better control the resources put on managing customer relationships. There may for example be natural causes to a fading relationship not possible for the bank to manage or maybe not even necessary for the bank to manage.

In services literature there is a lack of research focusing on the weakening of customer relationships. Fading therefore represents a new approach to understanding issues related to the ending of customer relationships. (Tuominen and Kettunen, 2003; Åkerlund, 2000) Most of the attempts to capture fading has however been done by looking only at behavioural dimensions such as purchase volume, interaction frequency etc. (e.g. Tuominen and Kettunen, 2003; Åkerlund, 2000), although research looking at business-to-business relationships has incorporated also other aspects of relationships (e.g. Grönhaug et al, 1999). There is in other words a need to focus specifically on the declining processes of customer relationships in order to get a more holistic understanding of the nature of developing and changing customer relationships.

However, it is not always easy to describe the changes and dynamics of a phenomenon. Depicting phases is one common way of describing change using time or some other measurable aspect as the common denominator. The product life cycle, i.e. the birth, growth, maturity and decline of a product, is one example where different stages have been used. But, as Day (1981) emphasises, there are problems linked to the level of aggregation of a generic model, the different underlying forces, and how their relative importance may change from one stage to another. The notion of distinct stages vs. the elusive nature of the boundaries of these stages constitutes a problem, which is also linked to normative attempts to find generalised prescriptions for each stage of the cycle (Day, 1981).

Phases are often described as following a certain pattern, making it difficult to capture the changes that don't take place according to this pattern. As Day (1981) mentions, there is a danger in trying to define what constitutes the content of these phases since different aspects of the process might be present in each phase, but to a larger or smaller extent. There might furthermore be no causal relationships between the phases, i.e. that the phases are not bound to go from one phase to the other. For example, Tähtinen (2001) describes stages in dissolution processes but emphasise that these stages do not always follow from each other. "Although the process is modelled in stages, this does not imply that the dissolution process always proceeds through all of the stages or that the stages have any order, rather the contrary (Tähtinen, 2001: 232)." Tähtinen (2001) however does not suggest other types of models to describe the process development, but develops an alternative framework with less emphasis on the order of the stages in a later article (Tähtinen, 2002). It is therefore of interest to analyse whether the fading process may be understood also with the help of other types of descriptions, not only focusing on the causality of stages.

Looking at processes, Senge (2001) uses the metaphor of the frog jumping out of a pot if put into boiling water, but not doing the same if the temperature gradually increases from lukewarm to boiling since the frog's ability to notice danger builds on the notion of sudden and not gradual environmental change. Considering the frog example the temperature would constitute the changing element going from lukewarm to warm, making it possible to measure the change. If we had been able to talk to the frog and ask it about the temperature the frog would probably have stated that there were no temperature changes, since it wasn't able to *perceive* the temperature changing. Perceptions of a process might therefore differ between the parties involved and also differ from what we believe to be "true". Capturing processes that are *not* measurable to time, temperature or some other common denominator is thus hard, but they still exist and must therefore be subject to analysis.

In order to understand fading relationships, it is important not only to focus on observable or obvious processes such as volume or interaction frequency, but also on the processes that are hard to observe and happens in the mind of the parties involved in the fading process. A relationship does not exist on its own: it exists in the minds and actions of the people performing the relationship. If they change or if something in their respective context changes, the relationship consequently changes as well. At each interaction between the parties in the relationship, a range of things have happened affecting the people involved and the reason for the relationship to exist. Attempts to capture this process by looking at mental aspects such as affections, cognitions and conations are scarce. These components of attitudes have been thoroughly discussed within consumer behaviour literature (e.g. Fishbein and Ajzen, 1972; Rosenberg and Hovland, 1966; Wärneryd, 1979) and therefore constitute an interesting framework for understanding fading.

A dyadic approach is here taken, discussing fading relationships from the point of view of two actors participating in a relationship, where the empirical case constitutes private banking (private wealth management services). The majority of studies in the area of ending business-to-consumer relationships have focused solely on one side of the relationship (in most cases understanding the consumer from a management point of view), whereas research in business-to-business settings to a larger extent has considered two or more parties. The reason for this is probably the difficulties of dealing with the amount of consumers handled within a company and the task of retaining enough knowledge about each and every one in order to make it meaningful to take a dyadic approach. Even if it would be possible to retain information about each customer, it would be nearly impossible for an employee to remember and discuss each customer.

This is however possible in the current empirical setting since private banking builds on the notion of few relationships managed by each financial advisor at the private bank. This gives financial advisors the opportunity to gain enough knowledge about the customer in order to describe and discuss their perception of the relationship at hand. The private banking relationships described here are therefore defined as professional service relationships, which differs from service relationships in general.

Business-to-business relationship theories constitute a source of inspiration for the understanding of these professional service relationships. Completely applying theories analysing business-to-business relationships to the current setting is however not appropriate since the nature of the relationships differ. The relationships discussed here do not describe the relationship between two organisations but instead the relationship between a private individual and an organisation. Similarities are however found between relationships found in business-to-business contexts and relationships presented in the current context. Customers using the private banking services are often involved in companies at management level (or company owners), which also affect the private individual's relationship to the bank. This makes the relationships studied fairly complex and multifaceted. The decisions made involve large sums of money, which shouldn't be compared to the day-to-day buying decisions consumers make, and affects the dialogue between the parties as well as the professionalism of both buyer and seller.

Traditional service marketing, relationship marketing, or consumer behaviour literature therefore does not completely capture the types of relationships present in a private banking context. Not considering business-to-business relationship literature would from such a point of view constitute a theoretical deficiency. This dissertation therefore draws on traditional service quality literature, consumer behaviour literature, as well as on relationship studies within industrial markets focusing on the relationship between the individual end-user and the service provider as discussed in for example Liljander and Strandvik (1995). Zaltman (2003) emphasises that the most promising knowledge is often found at the boundaries between different fields, rather than at the core of one specific field. It is therefore believed that business-to-business relationship literature could contribute and influence the understanding of the relationships described in this dissertation.

Since relationships include more than one party, there is thus a possibility that these parties have contradictory perceptions of the relationship. Holmlund and Strandvik (1997, 1999a, b, 2000) stress the differences between the parties' perceptions of negative critical incidents' effect on a relationship, and Tähtinen (2001) emphasises that one actor might perceive a relationship as continuous (a relationship that is suppose to continue) while the other perceives it as terminal (a relationship not desired by one or either of the parties). Although the focus remains on the customer, a dyadic perspective is taken by also understanding the service provider's view on the relationship (but not focusing on itself, but the customer). In other words customers describe how they perceive the relationship whereas the financial advisors describe how they interpret the relationship through the customer. The perspective taken is consequently an asymmetric dyadic perspective. The customer's interpretation of the relationship remains thus in focus following the tradition within relationship marketing where the customer has the preferential right of interpreting the relationship (Grönroos, 2002; Roos, 1999a; Strandvik and Liljander, 1994). Roos (1999a) states for example that the customer most likely decides whether a company relationship exists or not. Grönroos (2002:46) also claims that "it is the customer, not the company, that decides if a relationship has developed or not."

Private banking represents finally an interesting framework since less research has been made among this segment compared to mass-market retail banking customers. From a managerial perspective, private banking customers represent an exclusive and important segment (Maude and Molyneux, 1996; Weldon, 1998; Magrini and Thomas, 2001), which increases the value of the results. Magrini and Thomas (2001) report private banking customers as a growing segment on the European market making the current study also of current interest. From a methodological point of view private banking customers provide opportunities to understand close one-to-one (Lassar, Manolis and Winsor, 2000) relationship dyads where the focus still remains on private individuals. As previously discussed, a dyadic approach would have been problematic in a mass-market retail banking setting. Understanding the fad*ing* of customer relationships is furthermore easier captured in a relationship where the interaction between the parties is fairly frequent. It could have been problematic to capture and understand fading if the interaction between the bank and the customer would have been based on (a part from transactions via an Internet bank or automatic teller machine) meetings every 5-10 years which may be the case among some customer segments in traditional retail banking only keeping a salary account and not using any of the banks other services.

## 1.1 Purpose of the study

Three important aspects have been discussed above and constitute the focus of the dissertations. Fading is first of all an interesting phenomenon incorporating both behavioural as well as attitudinal dimensions distinct from other concepts within ending research such as switching, termination, exit, defect etc. since the consequences of fading *may* lead to relationship termination or switching, but could also end up in for example a stabilising but weakened relationship. Furthermore, the focus in this dissertation remains on the fading *process* and therefore does not incorporate as much analysis related to the antecedents of fading as has been done in previous research on relationship ending. The current approach finally takes a dyadic approach providing the opportunity to understand fading relationship processes from both parties involved in a relationship. This represents an interesting approach to the understanding of business-to-consumer relationships.

Since the phenomena at hand represents a new approach in ending research an explorative aim has guided the purpose of the dissertation where a deep, holistic, varied and complex understanding of the fading phenomenon is believed to contribute more than a generally applicable knowledge focusing only on one fraction of the fading phenomenon. The contact with the private banking customers had furthermore to be taken with great caution and the most meaningful mode of doing so was considered to be qualitative interviews. The type of relationships found in the private banking unit made it possible to study fading from the point of view of both actors involved in the relationship, which also was believed to contribute to the holistic understanding of the phenomenon. The underlying problem discussed here therefore concerns how to understand fading.

It is assumed that fading could take different forms and develop through a range of different processes rather than take the form of one generic process. *The purpose of the thesis is therefore to 1) define and describe fading, 2) reveal different types of fading customer relationship processes, and 3) analyse the dynamics of these processes.*

The definition and description of the fading phenomenon is based on a literature review aiming at positioning the fading concept in relation to other associated concept but also on four empirical studies focusing on understanding fading from different perspectives. The revelation of the types of fading customer relationship processes and the analysis of the dynamics of these processes is based on the empirical study focusing on private banking relationships where both financial advisors and customers participate.

## 1.2 Delimitations

A dyadic perspective is central to this dissertation, focusing on the relationship between a customer and a private banking unit, where the financial advisor constitutes the individual at the private banking unit who has the most prominent role in the relationship. This does however not exclude that the customer may have, or have had, other relationships that could have influenced the relationship to the private banking unit. It is important to recognise that customers often have several different relationships, both with other suppliers of financial services but also with different actors within the bank. In some cases there is a distinct awareness behind the use of several banks, while in other cases it "just happens" as a customer needs a loan or opens an account as a consequence of a new job. Relationship bonds might also affect the use of several banks if a customer is afraid of losing an important contact to a specific person or is unable to move all funds or investments to a new bank due to taxes. These relationships may very well influence the focal relationship dyad to a large extent and other employees or individuals may have had a larger impact on the relationship than the financial advisor in some cases. Understanding if several relationships might enhance or deteriorate the focal relationship, and if there is a conscious strategy or not behind the development of several relationships is also important for the understanding of fading. I have however chosen to listen to the perceptions of the two actors in the focal relationship since they constitute the primary link between the customer and the private banking unit. Influences from other actors may appear in the descriptions of what have happened, or is happening, and will also be taken into account in the analysis of the findings, but these actors will not be subjects for interviews. The reasons for this are the problems it would render getting access to other actors outside the focal relationship involving contacts with several different banks and financial institutions followed by restrictions due to the official secrets legislation.

Private banking is here considered a professional financial service. Because of the character of the relationship found between the customer and the financial advisor, business-to-consumer marketing as well as business-to-business marketing constitute important theoretical backgrounds to private banking. Professional services have been considered a business-to-business phenomenon (e.g. Boström, 2001; Gummesson, 1979; Wilson, 1972) but has also been discussed from a business-to-consumer perspective (Bean, 1991; Congram, 1991; Hausman, 2003; Lapierre and Filiatrault, 1996; Thakor and Kumar, 2000). The current thesis discusses professional financial services when bought by private individuals in a private banking context.

As discussed previously, there have been changes in the financial sector during the last decades, which has also affected customer behaviour (Beckett et al, 2000; Marquart, 2000). One of the changes constitutes a higher customer migration (Konkurrensverket, 2001). Another change in the behavioural patterns of bank customers is that they today are using new technology to a much higher degree when conducting financial services compared to only a few years ago. The use of this type of service channel has gone from 2000 customers in 1995 to 2 670 000 customers in 2000. Understanding if the new type of electronic relationship affect the behaviour and the perception of the bank relationship would give important information on how behavioural changes should be interpreted when there is no physical contact between the bank and the customer. Those issues will be touched upon also here, but will not be subject to any further detailed analysis.

When studying the weakening of customer relationships, it could also be maintained that the growing of relationships would be just as interesting for a holistic understanding of all changes in a customer relationship. This dissertation focuses however on the weakening of customer relationships – fading – since much literature already has concentrated on the opposite process of growing. It is therefore believed that the contribution of the dissertation becomes larger if focus is directed towards relationship fading and not also incorporating relationship growing.

## 1.3 Disposition

Figure 1 outlines a disposition of chapters according to the most central aspects that are discussed in this dissertation. An exploratory approach to the fading phenomenon is here taken rooted in the relationship marketing tradition where the processual aspects of fading are analysed. Both relationship marketing, services marketing, consumer behaviour and industrial marketing literature has influence the theoretical framework presented where relationships and relationship strength as well as the ending of customer relationships has had an important role. Professional financial services constitute the empirical filter through which the fading phenomenon is illuminated where private banking relationships have been studied using a dyadic approach. The results are presented as portraits of fading relationship processes. A hermeneutic perspective and abductive approach has guided the gathering of mainly qualitative data using different types of interview techniques which has been analysed using ideal type analysis to develop typical fading processes.

The dissertation comprises eight chapters. The first chapter introduces the reader to the fading phenomenon outlining the problem setting where the relationship marketing tradition is discussed, how different theoretical fields have contributed to the understanding of fading, and how the fading phenomenon will be approached. The following chapter delineates the ontological and epistemological background to the understanding of fading where an abductive approach is presented and debated. The understanding of the service relationship dyad, context and change, which has a central meaning to this dissertation, is then presented in the third chapter where the relationships presented in this particular context is defined and discussed. The focus then narrows down to the area of ending relationships which constitutes a springboard for the understanding of fading. A framework for the understanding of fading customer relationships is finally presented.

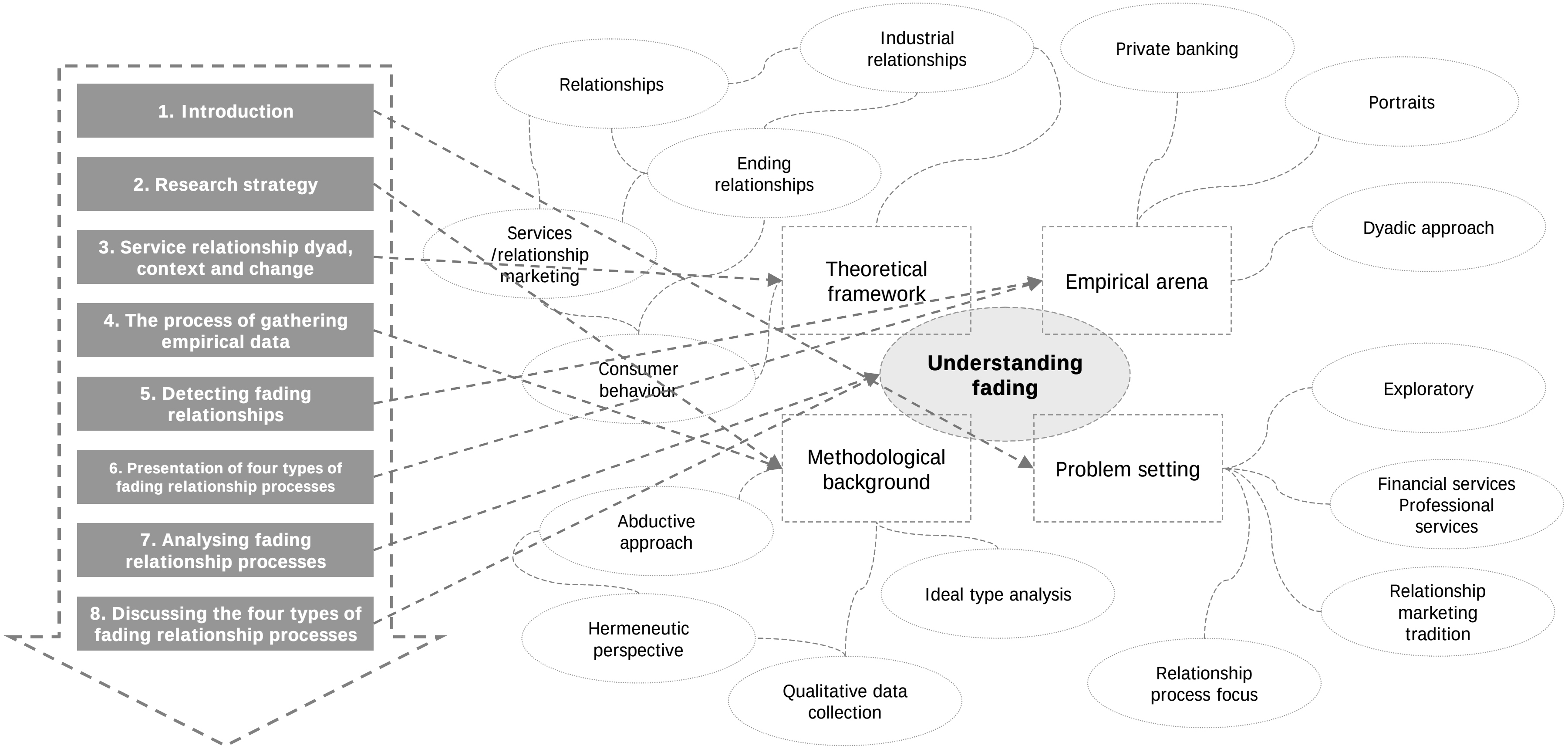


**Figure 1: Disposition of the dissertation**

Chapter Four outlines the methodological considerations taken when conducting the abductive research process incorporating a description of four studies made in order to focus the interest and broadening the understanding of fading. An introductory chapter to the empirical part of the dissertation then follows describing a pilot study where results are discussed and analysed constituting a basis for the main study presented in Chapter Six, which is structured according to four types of fading processes. These processes are then analysed in Chapter Seven looking at a model capturing three important concepts when understanding fading customer relationship processes. The four types of fading customer relationship processes are then discussed in the final chapter, Chapter Eight, where also managerial implications, theoretical contributions, criteria for evaluating the dissertation and future research are outlined.

# 2 Research strategy

Herakleitos (500 B.C) once stated that we're unable to step into the same river twice since *we* have changed as well as the water running down the river (Lübcke, 1995:225). Looking at customer relationships this would mean that both the parties involved in the relationship as well as the relationship itself is undergoing constant change, thus making it impossible to experience the same relationship twice. Consequently we could say that the process of understanding is impossible to understand since the phenomenon we are trying to grasp is constantly changing. It is in other words impossible to completely comprehend the complexity of actions, thoughts, impressions, revelations, adversities etc. creating the comprehension of a phenomenon. The only thing that is interesting from such a point of view would be to understand change itself. The phenomenon we are trying to understand is the fading of customer relationships. Since fad*ing* implies some type of change we need to adopt an understanding, language and approach that allows the researcher to observe and understand the complexity of this changing process.

Approaching a phenomenon is done according to a researcher's ontological and epistemological background, provided that the researcher's view of reality and knowledge is acknowledged as something influencing her research. The underlying assumptions influencing a researcher gives a background to the choices made, the framing of the problem, the results found, the discussions presented etc. reflecting the mindset of ideas guiding the search for knowledge. This set of ideas or framework that guides a researcher constitutes the ontological background (Denzin and Lincoln, 2000). It refers to the researcher's understanding of reality and human beings (Jensen, 1992). Ontology concerns how reality is constructed – what exists and how the existing is constituted. Does reality build on substances or does reality only exist in the mind of a person? Could reality comprise both substance and psychological aspects? Does change happen because of causal relations or is it final, i.e. does change happen due to intentions – for example a person striving to attain something? Ontology will thus analyse the most general and abstract concepts or distinctions that underlie every more specific description of any phenomenon in the world. Arbnor and Bjerke (1994; 1997) prefer to conceptualise these underlying assumptions as ultimate presumptions. A theory of science is according to Arbnor and Bjerke (1994; 1997) a language to describe the link between the ultimate presumptions and how existing technical possibilities shape or define the problem at hand.

The relationship concept is an important, yet difficult task to understand. We often know what a relationship means to ourselves, but find it difficult to explain it to someone else. Czepiel (1990) defines for example the relationship as the mutual recognition of special status between exchange partners, indicating that there are difficulties defining a relationship, but the partners will know when one exists (Barnes, 1997). Relationships are found everywhere in society: friendship, consumer relationships, family relationships, supplier relationships, romantic relationships, project relationships, brand relationships etc. which makes them an important research area. ”Relationships are at the core of human behaviour. If we dissolve the social networks of relationships, we dissolve society and the earth is left with a bunch of hermits (Gummesson, 2002:9)."

Truth, just as beauty, and just as relationships, is here believed to exist only in the eyes of the beholder. Truth changes constantly according to time, cultures, individual backgrounds etc. What today is considered a fact might be false tomorrow. Scientists sometimes claim to produce facts and truths, but they can only offer a perspective and an opinion with regard to something. A researcher's mission is however not to be afraid of believing. If we only came up with the answer that it is impossible to know anything, our raison d'être would be non-existent. Just because a person does not use the word "relationship" in her vocabulary does not mean that a relationship to another party cannot exist. The relationship may be described using a different set of words. What constitutes a relationship to one person may furthermore not constitute a relationship to another person. The relationship concept is therefore here perceived as a relative concept, which must be treated as such.

This view on the relationship concept comes out of the idea that reality is subjective. It is impossible to describe or understand reality as an objective phenomenon; the description of reality is rather seen as an interpretation influenced by a range of conscious and unconscious perspectives or assumptions made by the person interpreting reality. The interpretation of reality is however not decisive for its existence; reality in other words does not only exist in the mind of a person. But, the *understanding of reality* is subjective and could only exist in the mind of the person interpreting it. Two people depicting a phenomenon differently could therefore not be said to give a true or false description. The researcher must however be attentive to the fact that one of the actors may be interested in giving a version of reality that is modified. A holistic perspective gives the prerequisites to discover and analyse such an interest in either party and must also be discussed when interpreting the information given.

Epistemology concerns knowledge. It attempts to answer the basic question: what distinguishes true (adequate) knowledge from false (inadequate) knowledge? The epistemological background describes the set of questions asked (Denzin and Lincoln, 2000) or the researcher's view of the generated knowledge, causality and the specific problem to be analysed and solved (Jensen, 1992). Since the understanding of reality exists in the mind of the beholder, as a subjective statement of what she perceives, feels, and does etc. this assumption consequently also directs the understanding of knowledge in this dissertation. Knowledge is subjective giving that "true" or "false" is set according to a specific point in time and a specific context. The earth is no longer the centre of the (our) universe, but the sun, at least as far as we know today. Everything we know must therefore be analysed according to time and context. Is it then possible to gain knowledge about something? The answer would be yes, through describing, analysing and presenting a phenomenon as close to reality as possible. This is done through the awareness of the deficiencies and choices that come with the presentation of a thought or an idea. If the reader is able to decide how close to reality the presentation comes, there is also a possibility for readers to create their own perception of the knowledge presented.

We could also say that the changes that take place in a subjective reality are a result of a multitude of changes that influence and are influenced by each other. Deciding how one aspect of the interpreted reality directs or influences the other is often claimed to be possible on a general macro level looking at natural science, economics etc. but there are a multitude of changes that take place on a micro level being impossible to completely measure or causally observe. The outcome of such a general observation would however only be an understanding of a phenomenon at a certain point of time within a certain context, making the same piece of information worthless at the same time as new knowledge and new understandings of the world is born. We could therefore claim that "objective" knowledge only applies to the very instant when it is produced in a specific context.

The way in which a researcher examines a research problem (e.g. case study, grounded theory, historical method, clinical research etc.) constitutes the methodology, executed through methods of collection and analysis (e.g. interviewing, observation, focus groups, textual analysis etc.) (Denzin and Lincoln, 2000). Methodology is as maintained by Arbnor and Bjerke (1994; 1997) a language to describe the link between the researcher's methodological approach and the area to be examined where the operative paradigm constitutes the bridge.

The ontological, epistemological and methodological background builds the researcher's paradigm or framework in which she interprets a phenomenon. This demands awareness of the consequences given by the particular paradigm or interpretive framework (Denzin and Lincoln, 2000). It is according to Lincoln and Guba (2003) not possible to acknowledge two incommensurable paradigm or philosophical backgrounds at the same time, but it is however perfectly possible within each paradigm to mix methodological strategies or techniques used.

Arbnor and Bjerke (1994) describe a paradigm as constituting a bridge between the ultimate presumptions and the methodological approach (see Figure 2). According to Arbnor and Bjerke (1994) Thomas Kuhn discusses paradigms as common, largely unwritten, rules, gathering a group of researchers interested in a particular problem, solving scientific practice. When a paradigm loses its ability to explain, different types of methodological modifications first appear at the same time as researchers spend time explaining these deviations in order to prevent a paradigm shift. Soon, a science revolution becomes apparent and a new paradigm is born. In social science, in contrast to natural science, old paradigms however often exist side by side with new ones. (Arbnor and Bjerke, 1994; 1997)

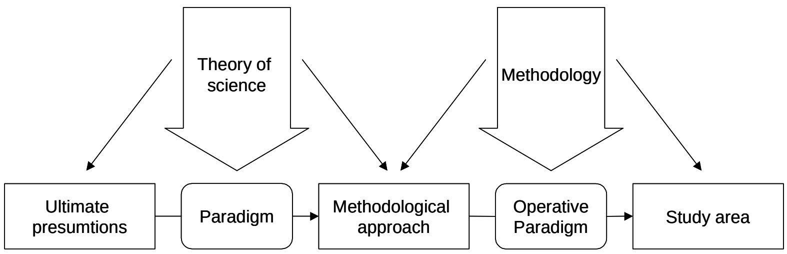


**Figure 2: Methodological Approach, (source: Arbnor and Bjerke, 1997:15)**

Depending on the level of analysis, different types of paradigms are found describing reality. Arbnor and Bjerke (1994) prefer to divide social science paradigms into six categories of knowledge ranging from an objective – rational explanation of reality to a subjective – relative understanding of reality. Jensen (1992) illuminates three different paradigms guiding researchers in their search for understanding: the positivistic, the humanistic and the critical approach. Patel and Davidson (1994) describe two perspectives or disciplines dividing the scientific community: positivism and hermeneutics. Phenomenology and hermeneutics are sometimes discussed as equivalent terms (Darmer, 1995:262) but should be considered distinct from each other since a phenomenologist is not oriented towards acting (he/she is only interested in describing the actors' reality) while the hermeneutic researcher tries to create a consequence and entirety to guide a conduct. Hermeneutics tries in other words to attain an understanding of the relations existing in reality in order to create an overall view, while phenomenology tries to attain authenticity of reality in order to understand reality on the same premises as the actors, demanding more freedom from prejudice and less structure (Darmer, 1995).

Going back to the previous discussion on being close to reality, it is here believed that the understanding of reality and knowledge described as objective or subjective could be illustrated by someone looking at the world through binoculars or a magnifying glass. A researcher looking at the world strictly from a rational, objective macro level perspective is using the binoculars. She is therefore able to look closer at large quantities of ideas or knowledge, but always from a distance and often only being able to study one object at a time. There is a risk that the researcher, although looking at large quantities of information, never really gets to the core problem and instead only touches the outskirts or parts of the phenomenon. A researcher looking at the world from an interpretive, subjective micro level is on the other hand much closer to the phenomenon studied. She is therefore able to study smaller areas, seeing small bits and parts of the phenomenon, delving into all parts of the research area. There is however a risk that the researcher comes too close to the phenomenon at hand and concentrates on one single thing to the extent that she loses the overall view. An interpretive hermeneutic paradigm underlies the understanding of reality and knowledge in this dissertation. It allows the researcher to go from details to general impressions without being trapped in a micro perspective.

Hermeneutics starts from the science of interpretation, exegetics - the branch of theology dealing with the study and interpretation of scripture. One of the most important ideas states that the meaning of something can only be understood if it is related to its entirety. A paragraph in a novel could only be understood in relation to the whole book. The book is on the other hand built on paragraphs and could only be understood through these. This discussion provides the basis of one of the hermeneutic circles (several have according to Alvesson and Sköldberg (1994) been suggested depending on hermeneutic alignment) incorporating elements and entirety, describing a processual, dialectic solution alternating between contradictory poles. (Alvesson and Sköldberg, 1994)

The humanistic approach as conceptualised by Jensen (1992) describes the same approach and is also built on the notion that analysis comes out of interpretation within a social context. Knowledge is for example dependent on history, i.e. time, place and context decide how knowledge should be interpreted. Reality is here perceived as an internal subjective phenomenon, and human actions are results based on consciousness concerning the possibilities to influence and be influenced. The purpose of analysis involves understanding, assuming insights into social phenomena in their relevant contexts. Causality is here believed to be a subjective phenomenon since the consequences is a result from cognitively perceived causes. Findings are always influenced by the researcher's values, the context and the purpose of the analysis, thus rendering subjective knowledge. (Jensen, 1992)

The wording of the issues discussed is of course not as important as the meaning or the content of the concepts. The researcher's task is to show awareness of these meanings and to be able to relate them to his/her own research. Arbnor and Bjerke (1997:4) talk about "creators of knowledge". The concept represents consciousness about reality, i.e. when the researcher (or other person) understands what knowledge is and how it comes about (Arbnor and Bjerke, 1997). Alvesson and Sköldberg (1994) emphasise the reflective researcher and reflective research distinguished by interpretation and reflection. The focus on interpretation demands careful awareness of theoretical assumptions and the meaning of language and pre-understanding (Alvesson and Sköldberg, 1994).

The humanistic or hermeneutic approach is in line with the perception of reality described earlier as the basis for the current thesis. The opposite perspective on reality, positivism, is according to Jensen (1992) based on natural science where reality is objective, concrete, non-historic and possible to divide into sub-units. Human actions are reactions to influences from the environment and the purpose of analysing a problem is to explain or predict and create generally applicable results. Causality is considered an objective phenomenon where verifiable causes lead to verifiable effects. The researcher is able to liberate herself from values and also remain independent in relation to the examined object or phenomenon. Knowledge is therefore objective and considered independent of time, place and social context. (Jensen, 1992)

This notion of objective knowledge must however be seen in the light of how knowledge is produced or presented. Fishbein and Ajzen (1972) criticize the lack of scientific rigour among a number of articles where intuition rather than a strong theoretical background guides new research hypotheses, procedural weaknesses explains and rectifies hypotheses as true, and where researchers continues to search for confirmations of hypotheses despite a large number of negative findings. Fishbein and Ajzen (1972) emphasise that these problems creates inconsistencies and controversies created by conceptual ambiguity. The existence of such problems shows that there is a risk that measures are taken in order to rectify the researcher's hypotheses instead of trying to find what, from such a perspective, could be considered true.

Reality or truth cannot be understood independent of the context surrounding it according to the hermeneutic approach. Knowledge is dependent on history, i.e. time, place and context decide how knowledge should be interpreted. The researcher's previous experiences thus influence the interpretation of reality just as much as the situation in which the phenomenon is studied. Knowledge is therefore analysed and understood as courses of events related to each other's. Analysing reality therefore demands the ability to compare and relate different internal attributes of a phenomenon and look at details from an overall picture of the phenomenon. The alternating between theory and practice is therefore important for gaining a more complex understanding of the phenomenon at hand. This altering between theory and practice and how it relates to the fading phenomenon will be discussed in the light of the abductive approach taken in this dissertation.

## 2.1 Abductive approach and qualitative methods

An abductive approach to a phenomenon is here believed to describe how the understanding of a phenomenon has evolved, rather than describing how the research process is conducted. Dubois and Gadde (2002:555) state that researchers are able to expand their understanding of a phenomenon by "[…] constantly going "back and forth" from one type of research activity to another and between empirical observations and theory […]". My understanding of this process is not necessarily that the researcher does one thing after the other, but rather that the researcher is able, by writing, thinking and discussions, to expand her understanding by constantly relating empirical reality to theory and re-conceptualising initial thoughts through this process.

Deduction denotes the approach whereby researchers analyse empirically observed phenomena in the light of theory: a logical analysis of what general theory says about a specific event (Arbnor and Bjerke, 1997). In contrast, induction describes the process through which researchers observe empirically phenomena and conclude general laws from individual cases (Arbnor and Bjerke, 1997). In social sciences it is here believed to be difficult finding research that could be said to approach a phenomenon from a purely deductive or inductive perspective. The process whereby researchers go "back and forth" is probably an element in most research, whether taking an inductive or deductive approach. What separates the abductive approach from only incorporating elements of going back and forth is that abduction must be a conscious approach that permeates the research process from the first steps to the final analysis and interpretation.

The traditional writing of monographs or article-based dissertations hinders however, to some extent, the researcher from presenting and depicting how this process of creating an understanding has evolved over time. Theoretical frameworks, empirical results and analysis are intertwined processes that should be presented as such. The traditional structure of a monograph indicates however that the theory has first been revised and later applied to the presentation of the empirical results based on which the analysis has been done. In reality theory revisions, problem statements, the gathering of empirical results, and analysis have gone through several processes of refinement. There is however a difference between writing and doing. The purpose of writing a dissertation is to present a comprehensible reduction of the knowledge development that has been taking place during the research process. Incorporating everything that has occurred is impossible and the reader would probably give up during the first couple of hundred pages. The structure of a traditional dissertation helps the reader grasp the essential information that the author wants to convey. The structure of this dissertation must therefore be understood as a pedagogical tool rather than a mirror of the research process. The purpose of this chapter is however to supply a description of how this process of gaining a better understanding of fading has evolved.

The abductive approach often results in the accomplishment of several empirical studies calibrating theories and reality until the researcher is able to describe, analyse and present a phenomenon as close to reality as possible. The abductive approach has therefore significant impact on the analysis and forming of theory and the gathering of empirical data. However, there are risks incorporated in such an approach. If we constantly adapt theory to empirical results and back again, how do we then learn about theory that didn't "fit in" or the choices that have been made affecting the description of the fading phenomenon? Researchers must give up the constant justification of reality according to their findings and dare to make mistakes. Only by making mistakes and sharing this information with others is it possible to really learn about the phenomenon studied. In how many articles do authors in highly ranked journals dare to state that they were completely wrong or dare to describe all the pitfalls they accidentally happened to avoid? The findings presented here must be viewed as my subjective interpretation of the fading phenomenon. I will try to describe the pitfalls, mistakes and shaping of theory and empirical gathering that has influenced this subjective interpretation. The abductive process is therefore presented here, but a more detailed discussion is also found in Chapter 4 where the methodological considerations emphasise a critical view on the conducted research.

My interest in the current research area has always had its roots in the desire to help companies better understand how to manage fading relationships. If picturing the interest on a continuum from empirical to theoretical, the start leaned more towards the empirical understanding. The focus has however drifted towards being able to build a theoretical understanding of fading where the urge to help companies still exist, but has become less dominant compared to the possibilities of creating a complex and differentiated comprehension of the fading phenomenon itself.

Since the researcher is influenced by previous experiences, the pre-understanding of a phenomenon becomes important in order to understand how the results found are dealt with and analysed. The pre-understanding of fading relationships as well as the pre-understanding of the empirical context will therefore be discussed to give the reader a chance to reflect on the implications of the researcher's background and decisions made with regard to the empirical arena.

The journey towards a better understanding of the fading phenomenon started with writing the masters thesis on fading customer relationships in the retail industry. Customers that had shown signs of behavioural fading (decline in purchase volume) as well as growing (increase in purchase volume) were interviewed concerning their relationship to one unit in a large national retail chain. The basic understanding of fading, both from a theoretical and an empirical point of view, was established. After presenting the results from the study at an academic conference, the interest of gaining further knowledge on the fading phenomenon grew and led to the initiation of doctoral studies looking at fading customer relationships within the area of financial services.

The master thesis looking at fading customer relationships in the retail industry gave an introduction into the literature concerning ending business-to-consumer relationships from a relationship marketing perspective. This theoretical background served as a basis for the dissertation; the empirical setting had however changed and new perspectives needed to be discussed in order to produce further knowledge in the area of fading relationships. A deeper understanding of professional services theory as well as business-to-business marketing theory was essential.

A literature review with emphasis on ending relationships in the financial industry was conducted and the search for a better conceptual basis for the understanding of ending relationships in general led to social psychology where the termination of romantic interpersonal relationships has been thoroughly examined. Consumer behaviour and consumer psychology literature also influenced the research and how it was conducted. At the start, the search for literature was rather diffuse. The context within which the articles or books were written was often unclear and my understanding of the overall theoretical foundations of the material read was low. The selection of articles was rather based on the fact that they were related to some type of ending of relationships, but I did not see or understand the difference between an article relying heavily on sociology as opposed to an article taking a consumer behaviour approach. The different articles were rather isolated spots in my theoretical universe that did not relate much to each other except for the focus on ending in some respect.

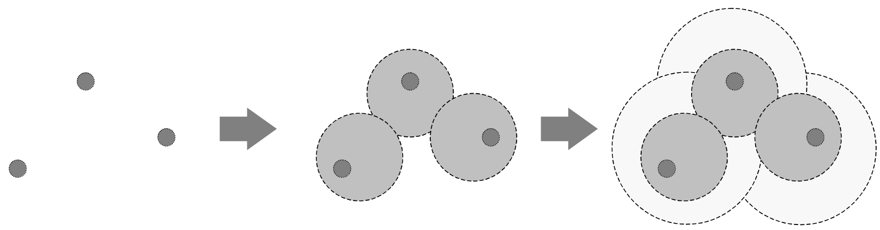

**Figure 3: Development of theoretical understanding**

After further readings I started to understand the basic assumptions underlying and also directing the content of the articles. A compilation of 81 articles focusing on ending was made analysing mutual referring patterns between the articles. This made it possible to capture clusters of articles focusing on ending, but also understand how the articles were related to each other due to the theoretical foundations (see Figure 3). The insights into the theoretical basis of the articles also made it possible to realise how these theoretical approaches could be related to each other and also how they in some aspects made it possible to find common themes joining the seemingly different approaches together.

My experience from the financial industry constituted a customer perspective where investment products to some extent had been in focus. I had however no experience from working in the financial industry, which called for a need to better understand the area from a management and employee perspective. Reviews of literature on financial services as well as interviews with people working in the financial sector lay the foundation for a better comprehension of the empirical context in which the phenomenon fading was studied.

The initial readings focused on reports published by governmental agencies and public authorities focusing on banking in general and private banking in particular (if found). It could of course be maintained that this information cannot compensate for the lack of not having achieved first hand experience from working with wealth management services. I had nevertheless experience from building customer relationships in service settings in general and also professional service settings in particular. Since the focus lies on the fading of customer relationships, it is however not believed that this lack of experience constitutes a large problem. It would otherwise be impossible for psychologists or physicians to ever give a diagnosis if they had not experienced the illness or problem at hand themselves. However, in order to gain a better understanding of the area of interest, empirical information was needed.

This dissertation is based on the tradition of qualitative research. Qualitative research aims at illuminating the meaning of a phenomenon's character or intrinsic qualities, while quantitative research aims at measuring frequencies or occurrence of a phenomenon (Widerberg, 2002). Qualitative research is oriented towards exploratory problem settings and research that is interested in understanding dynamic processes (Patton, 1987).

Denzin and Lincoln (2000: 3) states that "[q]ualitative research involves the studied use and collection of a variety of empirical materials – case study; personal experience; introspection; life story; interview; artefacts; cultural texts and productions; observational, historical, interactional, and problematic moments and meanings in individual's lives. Accordingly, qualitative researchers deploy a wide range of interconnected interpretive practices, hoping always to get a better understanding of the subject matter at hand." The use of different types of interview techniques is important for the interpretation and the creation of a language to understand different types of fading relationship processes. The more angles and perspectives given on a phenomenon, the more holistic becomes the understanding of that phenomenon.

The use of multiple methods, triangulation, (e.g. Denzin and Lincoln, 2000; 2003; Lincoln and Guba, 1982; 1985) has been applied to get a deeper understanding of the fading phenomenon. The empirical studies discussed in this thesis result in both qualitative and quantitative data, with emphasis on qualitative data. The use of multiple methods has guided the focus of the dissertation. The first two studies have the role of providing a better pre-understanding of the fading phenomenon, while the third and fourth are directed towards more specifically giving a better understanding of the defined problem. The results of the two first studies are therefore not incorporated in the outline of this dissertation. They have rather had the role of directing the centre of attention. The studies not only vary according to focus, they are also different considering the types of interviews made and the degree of structure used when conducting the interviews. One study is furthermore combined with a quantitative study. The different studies are more thoroughly discussed in chapter 4, but will here be discussed with the aim of emphasising the abductive approach going back and forth between theory and empirical findings.

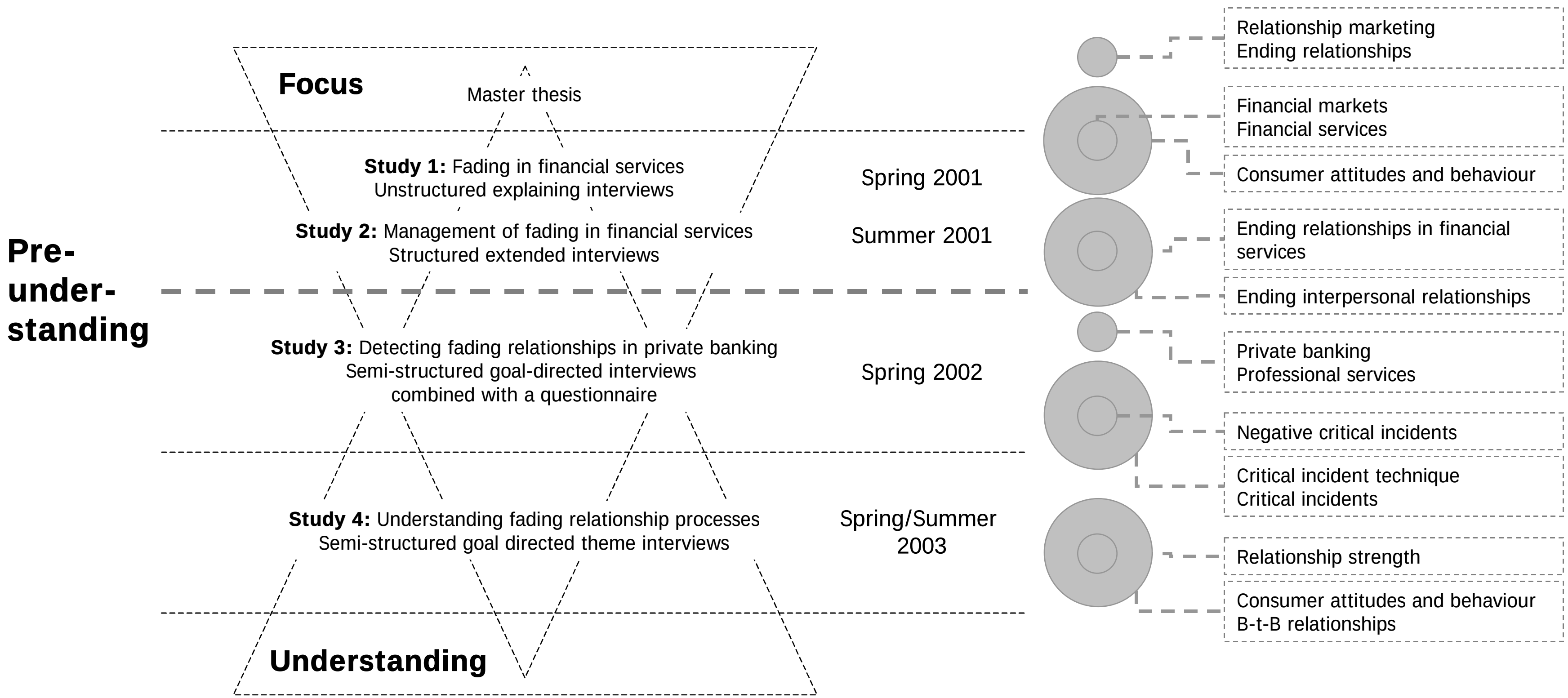


**Figure 4: Broadening the understanding, narrowing the focus**

In order to gain further knowledge in the field of financial services, cooperation with a bank was initiated where interviews could be conducted. The *understanding* of the fading phenomenon was at that time quite narrow while the *focus* instead was very broad (see Figure 4). In order to get a more distinct focus and instead a broader understanding of fading, seven interviews were first conducted with employees at the bank with whom I cooperated followed by a second study involving interviews with different marketing managers in 12 banks.

These first 19 interviews acted as a basis for a broadened pre-understanding and a more focused approach to the fading phenomenon necessary for the development of the dyadic perspective in this dissertation. The interviews assumed a bank perspective, leaving out the customer perspective. My own experiences as a bank customer acted therefore as the only pre-understanding for the following phases. I noticed however that issues related to fading bank relationships interested almost everyone with whom I discussed the research topic, regardless of background. Everybody had had contact with a bank and many of them had a story to tell, either about a current or a previous bank relationship. This also contributed to wider insights concerning customers' perceptions regarding situations or episodes in the life of a bank customer. Theoretical influences coming from the articles in social psychology looking at romantic interpersonal relationships made me realize the importance of getting both perspectives in order to get a rich description of the fading process of a relationship.

The third study therefore took a dyadic approach to fading relationships incorporating both private banking customers and financial advisors in a pilot study focusing on negative critical incidents in the private banking relationship. The understanding of the particular relationships at hand was improved through a literature review on private banking and professional services. The technique used, negative critical incident mapping (NCIM), made it possible to get a snapshot of negative critical incidents in the private banking relationships and how the focal parties involved in the relationship assessed these incidents. Literature on the Critical Incident Technique (CIT) and (negative) critical incidents expanded the theoretical framework and the pilot study provided insights into the difficulties related to detecting fading customer relationships.

Three issues were found important when conducting the pilot study. It illuminated first of all that it is imperative to incorporate attitudinal dimensions as well when understanding fading relationships. The processual character of fading was furthermore found to be of central interest. Fading describes a change in some direction. The technique used for studying negative critical incidents was suitable to understand perception differences but provided only a static understanding of negative incidents that could influence the relationship development. The realisation that this technique did not capture the dynamics of the process made it important to change strategy in order to look deeper into the processual aspects of fading customer relationships. The pilot study also illuminated the fact that critical incidents finally were one type of influencing factor on a relationship process. Considering other types of factors as well would contribute more to the complexity of the phenomenon. The pilot study thereby focused the research interest and guided the direction of a follow-up study. A fourth study, constituting the main empirical study in this dissertation, was therefore carried out in order to capture fading as a developing process.

The fourth study focused on the relationship development with the aim of capturing the dynamics of the fading customer relationship processes. Literature covering relationship strength, consumer attitudes and behaviour, and also business-to-business relationships was re-examined for the purpose of improving the conceptual framework that had been generated in the previous studies. Some of the customers and financial advisors participating in the NCIM study were followed-up with further interviews, and an additional group of customers and financial advisors were interviewed. The analysis conducted according to an ideal type analysis constitutes a process where the analysis of details must be done simultaneously with the abstraction of the ideal types. As the analysis crystallised certain concepts, which had not been captured by the theoretical framework, another review of literature was done in order to examine whether issues that were not obvious during the previous literature reviews could be used as valuable insights into the analysis.

## 2.2 Summary – research strategy

The research strategy gives an overview of the basic assumptions guiding the search for a better understanding of fading. A subjective approach to reality and knowledge is presented and discussed according to the problem and purpose of the dissertation where a holistic understanding of the phenomenon at hand constitutes the basis for the dissertation. An abductive research process has been outlined characterised by a constant altering between theory, empirical results and analysis. This abductive process is discussed linked to the explorative character of the dissertation. Since fading constitutes a fairly new concept, the abductive approach offers the possibility to discover and reveal new territories of understanding as the research process evolves. The qualitative techniques used for gathering the empirical data is discussed from the point of view of their relation to the understanding of fading. A more detailed discussion of these studies is however provided in Chapter 4.

# 3 Service relationship dyad, context and change

*This chapter will introduce the dyad, context and changes of service relationships. An introductory discussion on relationships and important theoretical influences on the conceptualisation of relationships will be discussed for the purpose of giving the reader a background as to why both theories coming from business-to-consumer as well as business-to-business marketing have influenced the theoretical framework of the dissertation. This discussion will also constitute the basis for discussing why the dyad is important for the understanding of fading in this dissertation. Professional services will then be outlined related to the specific empirical arena, private banking services. This section, along with the presentation of the development in the financial services industry outlines the context in which the fading relationships are examined. The following chapter then introduces the relationship strength concept, which is of central importance for the understanding for fading customer relationships and how the relationship changes. Ending processes, which constitutes the background for understanding fading is thereafter discussed where a definition of fading is introduced, different perspectives on ending relationships are outlined and an examination of ending relationship process models is presented. The theories on ending processes are in other words used as a springboard for the understanding of fading customer relationships.*

Simmel (1950) has concluded that two parties are needed to form a relationship, but only one is needed to initiate dissolution: “A dyad depends on each of its two elements alone – in its death, though not in its life: for its life, it needs both, but for its death, only one (Simmel, 1950:124).” Relationship marketing however does emphasise a different view of the relationship concept where one of the actors’ perceptions is more important in order to create a relationship - the customer’s perception (Strandvik and Liljander, 1994). The customer decides if the relationship to a company has developed or not (Grönroos, 2002; Roos, 1999a).

The relationship concept has gained more and more attention both in industrial as well as consumer relationships (Barnes, 1997; Bove and Johnson, 2001). A discussion on the use of this concept could however be appropriate since “relationships” range from being described as merely existing due to a contract (e.g. Liljander and Strandvik, 1995; Strandvik and Liljander, 1994) to incorporating a range of attitudinal, behavioural as well as structural components in order to be conceptualised as a “true” relationship (e.g. Liljander and Roos, 2002). We must however separate the conceptualisation of relationships, as discussed in literature, from the customer’s vocabulary or world of ideas. Even though customers may not use the word relationship when describing the interaction with a company, we may still use the relationship concept to structure what the customer includes or leaves out of her description. It is for example here believed that the concept of a “true” (e.g. Liljander and Roos, 2002) or genuine relationship is possible to *conceptualise*, but doesn’t necessarily reflect the way customers perceive relationships. A relationship built exclusively on behavioural components could be perceived as equally true or genuine by a customer as a relationship incorporating trust, commitment as well as relationship benefits. “What one customer may consider a warm, close, friendly relationship, others will find stifling or unnecessary (Barnes, 1997:770)." If the customer decides whether a relationship exists or not, the customer also decides the content of a relationship following the notion that the customer has the preferential right of interpreting the relationship.

All relationships, as perceived by the parties involved, are therefore here believed to be unique (to some extent). Trying to understand the complex underlying nature of these relationships is therefore in this dissertation believed to be more rewarding than data mining customer behaviour according to causal relations. As McGrath (1982:74) concludes: "[…] *ceteris is never paribus*, in the world of research." [italics in original] The context always influences how the relationship is perceived. Some relationships exist more or less in the mind of a person, while others are built on structures or interactions going back several decades in time. The context surrounding the relationship is of large importance. Customers may furthermore wish to develop different types of relationships with different types of service providers (Barnes, 1997). In order to better understand these relationships, diversity must be emphasised as much as similarity is accentuated.

## 3.1 Service relationships

According to Liljander and Strandvik (1995) the definition of a service relationship must consider whether the service is of a discrete (a separate decision to buy/use is made each time) or a continuous (a contract is settled) nature. A discrete service setting relationship could at a minimum level be said to exist when a customer has made a second purchase. According to this minimum definition a bank relationship (continuous) would be present when a contract is signed. The continuous relationship would in other words according to this definition exist independently of the actors' attitudes towards the relationship and also independent of the actors' behaviour (after the contract is signed). If a customer opens an account at a bank and never visits or deposits any money on the account, it still exists. Storbacka (1995) claims that all consumers (except a few that have chosen to live outside society) have a relationship to a bank since the bank system in the Nordic countries has such an impact on payment infrastructures. Liljander and Strandvik's (1995) and Storbacka's (1995) view represents a minimum definition of a relationship and helps us define when the relationship has started. It does however not say much about the content upon which the relationship is built. The only detectable change would, on the basis of such a definition, be a breach of contract. The use of such a minimum definition is nevertheless useful when stating that all relationships are believed to be unique.

The perspective presented here is based on the assumption that a continuous service relationship exists if a contract is signed. This must however not be seen as necessarily corresponding with the customer's perception of the relationship. The *content* of the relationship may differ which needs further examination. Liljander and Strandvik (1995) perceive the minimum definition useful from a methodological standpoint. Going beyond the minimum definition, Liljander and Strandvik (1995) also emphasise that behavioural dimensions exist as well as mental dimensions in a relationship. A stronger relationship is probably found in a relationship where commitment, trust and bonds are present, than in a relationship where a second purchase has been done, but no commitment, trust or bonds exists (Liljander and Strandvik, 1995). A more distinct view on relationships in a business-to-consumer context would thus incorporate behavioural and attitudinal loyalty as well as bonds at company and individual level (Liljander and Strandvik, 1995).

Looking at the exchange of value is yet another way to describe the nature of the relationship. The value is created in each party's processes built on activities: "For the relationship to exist, the exchange that happens during the interactions must support these processes (Storbacka, 1995:62)." Both parties in the relationship dyad evaluate both the inputs and outputs they get from the relationship. The customer does however often use other financial services and also incorporate the relationships with the other service providers when assessing the value created. The total value that the customer perceives depends not only on the value received from each service provider, but also on the synergy created by the aggregated inputs from all relationships (Storbacka, 1995). Storbacka (1995) considers the relationship to exist when the interactions support the value creation processes.

A relationship exists according to Grönroos (2002) due to certain attitudes towards each other. The mutual commitment in a relationship is here of central importance (Grönroos, 2002). After a while, a process of interaction and communication develops which is extended into a value creating process – a progress that is decisive for the relationship itself.

Barnes (1997) examining the nature of relationships between providers of financial services and retail customers suggests that relationships can be viewed from two different perspectives: the psychology of relationships and the behavioural aspects of relationships. The psychology of relationships looks at how relationships are characterised in the mind of a customer. The behavioural aspects of relationships on the other hand look at the nature of the interaction between the customer and the service provider. (Barnes, 1997) In order to dig deeper into the relationship concept, influences from other theoretical fields on the relationship concept are important to understand.

## 3.2 Influences from other theoretical fields on the relationship concept

The earlier schools of marketing thought were sprung out of the field of economics, whereas later theories to a larger extent incorporated behavioural, social and psychological influences (Sheth et al, 1988: 23-27). The social exchange school of marketing put the focus on the market as the focal point of exchanges between buyers and sellers where the exchange process was perceived as social rather than isolated individuals making their own decisions (Sheth et al, 1988). The impact from sociology, social psychology and psychology is obvious when discussing marriage as a metaphor for buyer-seller relationships (see e.g. Dwyer, Schurr and Oh, 1987; Levitt, 1983). Social psychology has been considered useful when understanding how customers view their relationship to a service provider (Barnes, 1997). But before using romantic or interpersonal relationships as a metaphor for commercial relationships, some inherent differences must be recognised. "In particular, marriage and courtship are special and nonparadigmatic relationships that have many features which make them unreliable guides in a search for general principles of relationship breakdown." (Duck, 1981: 2).

One of the differences between a commercial relationship and a marriage is the "closeness" of the relationship. The relationship found between two spouses in a marriage differs most probably from the relationships found in most commercial settings. Closeness has been used in social psychology to describe romantic or friendship relationships and is suggested by Bove and Johnson (2001) to be used only in commercial settings when the relationship between a customer and a service worker has developed into a friendship. In a marriage there is a social pressure on partners to stay together. Marriage is furthermore a "socially acknowledged, socially sanctioned relationship with legal (and tax) implications" (Duck, 1981:5). It is also expected to be permanent and the only one of its kind during a lifetime. Being married to several partners is in most countries not possible. Having other relationships of the same character as the marriage (during the marriage) is normally considered immoral and a breach of contract.

Although there might be legal as well as tax bonds present in commercial relationships, it is common to have the same type of relationships to several different companies at the same time, and customers use a range of different companies during a lifetime. The commercial relationship is in addition somewhat asymmetrical in terms of the supplier/seller/customer manager often being the party responsible for maintaining a good relationship with the customer (Levitt, 1983). The statement "The wife/husband is always right" is more seldom heard stated by either party in a marriage in contrast to the often heard "The customer is always right". Commercial relationships are furthermore built on a commercial exchange. This might be true in some marriages, but they are more often built on social and/or emotional bonds etc. The marriage metaphor in commercial relationship must therefore be considered with this in mind. Matrimony has however cultural differences where closeness, the idea of several partners, commercial exchange, social bonds etc. are looked upon differently.

Looking at the different assumptions behind romantic or interpersonal relationships vs. commercial relationships, are theories emanating from social psychology and sociology applicable to commercial relationships? Alajoutsijärvi et al (2000) using Baxter's (1985) communication strategies in dissolving relationships (based on interpersonal relationships) conclude that it is valid to use the theory in a business-to-business context, but difficult to use a theory based on dyadic personal relationships when describing a multi-level and multi-actor complexity. They also emphasize that it is important to bring time dimensions and the counter acts of the partner into the model if using it in a business-to-business context (Alajoutsijärvi et al, 2000).

If not only using a minimum definition of a commercial relationship, the parties are often expected to have some degree of commitment and trust towards each other, anticipation of a common future, concentration of purchases, frequent contact etc. From a process perspective one might also see discrete transactions (causal dating) as possibilities to develop relational exchanges (marriage) (Dwyer, Schurr and Oh, 1987). Applying theories influenced by social psychology on the phases of relationship dissolution has also been implemented (e.g. Tähtinen, 2001).

It is in other words possible to use aspects from romantic interpersonal relationships when analysing commercial relationships. In a conventional business-to-consumer marketing situation where several hundreds or thousands of customers are linked to the same contact person at a company or different employees perform the service from one occasion to the other (pseudo-relationships, see e.g. Liljander and Roos, 2002) theories on inter-personal relationships might be of less interest. We are however here looking at professional service relationships where the parties have a closer contact. The current setting takes furthermore a dyadic approach, which also is done in interpersonal relationship literature. This justifies the incorporation of theories coming from social psychology and sociology for the understanding of commercial relationships when focusing on the interaction between the end-user and the provider of the services. The obvious differences between romantic/interpersonal and commercial relationships must however be recognised and taken into consideration before doing so.

Most of the research looking at business-to-consumer relationships has been developed within a framework building on large consumer bases where the ability to interact more closely with the customer is limited. Loyalty found in mass-market relationships is for example most probably different from loyalty found in relationships based on a few parties. Professional service relationships differ from these relationships considering the complexity and multifaceted nature of the relationships as well as the magnitude of the buying decisions made. The interaction between the company and the customer is also of a different type compared to mass-market consumer relationships.

The relationship concept will therefore be discussed by focusing on these types of relationships. Theories coming from literature looking at both business-to-business and business-to-consumer relationships will therefore be used since the current empirical context could not completely be captured by either theory alone, making it important to bring the two perspectives together. Business-to-consumer relationships building on the management of large customer bases, mass customized services, where relationships admittedly may be established, but on different premises, does not completely capture the professional service relationships discussed here. Business-to-business relationships on the other hand looking at complex networks of relationships on different levels, where organisational adaptations, large investments and long time frames are often present does not give a completely satisfying background to the relationships described either. Merging the understanding of both fields is therefore needed.

Private banking would normally be regarded as business-to-consumer relationships since private individuals buy the services offered. But the small number of customers managed by each financial advisor, the main focus on wealth management and the multi-faceted customised services offered, differ from typical relationships found on consumer markets, and are more reminiscent of business-to-business relationships. The dissertation therefore draws on traditional service management literature, consumer behaviour literature as well as relationship studies within industrial markets focusing on the relationship between the individual end-user and the service provider. Professional services will therefore be discussed in order to introduce the context of the relationships described in this dissertation.

## 3.3 Professional services

The discussion on professional services is introduced in order to get a better understanding of the context in which the private banking relationships find themselves. Issues that are important for the comprehension of relationships that are built in a professional service context are first outlined, followed by a discussion whether it is appropriate to define private banking relationships as a professional service relationship. Financial service relationships are thereafter introduced in order to give a background to prerequisites that have influenced these types of relationships during the last decades.

The definition of professional financial services is problematic (Ojasalo, 1999). First of all, there exists no clear definition, since there is confusion regarding the services that should be defined as "professional" (Thakor and Kumar, 2000). Secondly, there is also some confusion regarding the buyer of these professional services; are professional services offered to organisations or individuals? The definitions discussed here focus on the nature of the service offered, the business context, and the buyer of the services.

### *3.3.1 The nature of the service*

The role of certification and a code of ethics are discussed by Congram (1991) when traditionally referring to "professions", e.g. architecture, accounting, law, medicine, and engineering. Congram (1991), however, broadens the opening discussion to include a much wider variety of services. "… it also applies to several fields in which certification is not required, but in which practitioners consider themselves to be professionals and develop similar types of service practices" (Congram, 1991:479). Congram (1991) mentions consulting, investment banking, advertising, public relations, market research, design and data processing.

Bean (1991) includes services that are generally intangible, relying on the expertise of the professional in her definition of professional services. These professional services also constitute according to Bean (1991) a high risk for the buyer, involve an intense relationship between the buyer and the seller (meaning a strong relationship) and rely to a large degree on the professionals who sell the service since they are also involved in the delivery process. Bean (1991) associates professional services with accountants, financial consultants, attorneys, doctors and stockbrokers. Banking is in the same article (Bean, 1991) however mentioned as another type of service – balanced product/services.

Thakor and Kumar (2000) review the concept of professional services and conclude that the definitions that exist include a broad variety of different services. They try instead to find the answer through consumers' perceptions of professionalism in services. Thakor and Kumar's (2000) findings point at legal and medical services being perceived as most professional, closely followed by financial services, more specifically 1) income tax advice and preparation, 2) stock brokerage services, 3) mutual fund management and 4) investment advice. If the service requires large amounts of expertise, where the quality cannot easily be evaluated by a layperson, and if the service is perceived to be of critical importance, it is also more likely to be viewed by consumers as professional. The methodology used by Thakor and Kumar (2000) could however be discussed if appropriate for the definition of professional services.

Hausman (2003) claims that professional services are "characterized by one-to-one interactions involving repeated, frequent encounters with the same professional service provider and contain differences including: complexity, the intimate nature of exchange, and co-production of service outcomes by both the client and the service provider" (Hausman, 2003: 226). Hausman (2003) establishes that there is a distinct difference between consumer services that often are studied (i.e. banking and retailing) and professional services. Medical professionals, attorneys, financial planners, business consultants, engineers "and many others" are considered professional services. Interestingly she includes physicians, ministers, hairstylists and social workers in her sample. The inclusion of hair stylists seems, based on the previous discussions on professional services, somewhat odd. Here considered to be a result of a rather general and all-embracing definition of professional services.

Ojasalo (1999) analyses recruitment services and emphasises people's focus on long-time contracts, high degree of customisation, the consultant's independence and close customer contacts, the importance of the delivery process and solutions as the main offering, which also seems appropriate for a private banking setting.

### *3.3.2 The business context and the buyer of the services*

Wilson (1972) excludes however services such as private banking in her definition of professional services. There are no specific examples of professional services given, instead a definition; "A professional service is one purchased by industry and institutions from individuals and organizations, and is designed to improve the purchasing organization's performance or well-being and to reduce uncertainty by the application of skills derived from a formal and recognized body of knowledge, which may be interdisciplinary, and which provides criteria for the assessment of the results of the application of the service" (Wilson, 1972:xvi). Professional services could according to Wilson (1972) not be offered to consumers. She adds however to the definition "The definition on page xvi is specific to the subject of this book and has been adopted to enable the argument to focus on those activities which, at least from a commonsense point of view, are regarded as professional services but which are not purchased by individuals" (Wilson, 1972:1). The definition should therefore be considered applying to the particular context of the book rather than applying to professional services in general.

Boström (2001) also emphasises the business-to-business context of professional services. "…professional service provides complex professional knowledge, which is the definition of professional service used in this book, and these services usually are traded in a business-to-business situation where the service is specifically designed for the client (Boström, 2001: 17)." Lapierre and Filiatrault (1996) discuss professional services as a subset differentiated from other services by being mainly advisory and being operated by skilled professionals. A literature review reveals 24 articles or books examining professional services (according to their definition) of which 15 considered business-to-consumer settings and 11 business-to-business settings (two articles were focusing both on b-to-b and b-to-c). It is however not possible to draw the conclusion that professional services are more common in business-to-consumer contexts from these results; it could rather reflect the possibilities to get access to different types of service settings. We may however conclude that professional services may be applicable both in business-to-business as well as business-to-consumer contexts.

Gummesson (1979) discusses professional services as a set of producer services being mainly advisory and being operated by skilled professionals. Included are services of advertising agencies, management consultants, accountants, architects, engineering consultants “and several others”. Gummesson (1979) states also that professional services have a consumer market, e.g. legal and medical professions. Whether professional services only apply to business-to-business settings (see e.g. Congram, 1972; Boström, 2001) could therefore be questioned. The above definitions looking at several services offered to both individuals and organisations provides no basis for excluding consumer services from the definition of professional services, although the services are more often found in a business-to-business context.

### *3.3.3 Definition of professional services*

Based on the above discussion a definition of professional service is here conceptualised with a focus on private banking relationships: *A professional service constitutes a customized, complex, mainly advisory service developed in one-to-one interaction or intimate interaction with a few parties, where the unique skills of the professional organisation is decisive for the quality of the services offered.*

The first part of the definition relates back to the previously discussed nature of the service whereas the second part refers to the business context and buyer of the services. The definition takes a clear standpoint when not establishing whether private individuals or organisations buy these types of services. It is here stated that both parties may very well buy a professional service, which indicates that there is no distinction made between professional business-to-business services and professional business-to-consumer services in the definition.

The definition of professional *financial* services is not delineated here since financial services rather represent the industry considered here. The focus is instead put on the characteristics of the interaction between the parties involved in these types of relationships.

### *3.3.4 Private banking – a professional service*

Private banking services differ from financial services offered to individual customers in general looking at the type of services offered, customer types, the relationship structure etc. Private banking customers constitute an exclusive group of important customers. This category of customers is growing and the average wealth of these individuals is increasing (Magrini and Thomas, 2001; Weldon, 1998). The prerequisites for customer relationships in private banking will be discussed in this section, introducing the reader to the empirical setting in which the research on fading customer relationship processes has been conducted.

Statistics offered from official authorities are not presented separately for private banking vs. retail banking, which makes it difficult to retain facts on the size and spread of private banking. Some of the following information on the private banking sector is therefore built on consultants’ reports or information from the private banks themselves and should be read and understood with this in mind. Private banking is furthermore a fairly new phenomenon in the Nordic countries compared to traditional markets such as Switzerland, Luxembourg, Monaco etc. Articles and books therefore often focus on these traditional markets, which to some extent have different structures compared to the Nordic countries.

According to Maude and Molyneux (1996) there is no definition of private banking that has been generally accepted. They define it broadly as “the high-quality provision of a range of financial and related services to wealthy clients, principally individuals and their families (Maude and Molyneux, 1996: 18).” The essence of private banking lies in the high quality offered, and the key components of the services lie in the tailoring of services to specific individual requests, the focus on client needs, long-term relationship orientation, personal contacts, and interaction and discretion (Maude and Molyneux, 1996). Looking at the previous discussion, there are several similarities between the nature of professional services and the description of private banking services offered by Maude and Molyneux (1996).

The number of institutions offering private banking services has increased during the last decades (Maude and Molyneux, 1996). Weldon (1998) states that high net worth wealth is growing rapidly along with the private banking industry. However, according to Maude and Molyneux (1996), the new competitors on the private banking market differ from the old institutions. Domestic banks have entered the market through segmentations of current customer bases offering special services for wealthy customers, full service brokerages focusing on wealthy customers, discount/retail brokerages moving upmarket and they have also become international. Upstarts focus mostly on the middle market. The traditional competitors constitute Swiss banks, investment banks, major global actors expanding, and niche actors (Maude and Molyneux, 1996). Customers are also changing from old wealth to newly created wealth (Weldon, 1998). The new competitive situation and the changes that have been taken place on the financial markets during the last decades have been a response to growth in size and composition of the market, new types of clients, entry of new types of actors, regulatory factors, the globalisation of financial markets, technological advances, and changes within the banking industry as a whole (Maude and Molyneux, 1996).

PriceWaterhouseCoopers' (2001:8) European Private Banking/Wealth Management Survey 2000/2001 based on 134 private banks and wealth management institutions emphasises six emerging key trends in the industry. The first trend relates to the continuing growth of the market, where tougher external conditions are emerging. Participants are seeking to achieve greater differentiation in order to maintain or enhance profitability. The private banks in the European study believe that the market will grow, but at a slower pace than before. The successful actors have managed to cut costs at the same time as revenues have grown. In order to increase revenues the actors participating in the study seek differentiation in products and services as well as broader client segments. The survey also shows signs on new alliances within the industry in order to be able to attract and retain customers through superior distribution channels.

The second trend concerns more demanding clients that encompass an increasing diversity of needs. Better client relationship management therefore becomes critical. According to the private banks in the study customers are becoming more price sensitive at the same time as about half of the banks do not have programs to increase customer retention. New customer types are also emerging and changing the structures of the customer bases, as there is a shift from passive investors with traditional family money to active investors with new money. The need for a strong brand has increased, especially with increased possibilities to acquire advice, information etc. on the Internet. The quality of the services offered is therefore the main differentiator against industry competition, and new ways of segmenting customer using psychographic criteria are emerging.

The third trend focuses on standard products that still seem to be important although the growth is found in more sophisticated and value-added products and services, the demand for which varies by different client segments. In order to meet the new customer demands, there is a tendency among the participating banks to extend the product range where more sophisticated and personalised products are emerging. Integrated services such as family offices are developing where combined service offerings, integrated advice etc. are important.

The fourth trend talks about the increased requirement for, and shortage of, high-skilled, high-cost talent. The staff turnover is in some areas of the industry high, and the competition on highly skilled co-workers is fierce. The staff is also the largest component of the cost base, but despite this more than half of the banks participating in the study do not have a staff-retention plan.

Pressure on traditional organisation structures constitutes the fifth trend where people must be more client responsive, cost effective, and agile. The latest technologies and better knowledge management are key enablers. More and more banks are centralising some processes, for example investment decision-making processes, at the same time as front-office personnel is decentralised in order to support flexible and personalised interaction with the customers. New types of client relationship officers are created where less product focus and more focus on the customer relationship is emerging. Face-to-face contact, however, is decreasing in some areas and other types of communication channels such as call centres, Internet etc are increasing. Further automation can be expected along with higher use of automated channels. The use of e-banking and Internet could however have an impact on the ending of customer relationships: “Conversely, e-business and the transparency of the Internet leaves players more vulnerable to client attrition, exacerbated by the growth in new entrants, in particular retail players who are seeking to offer private banking and wealth management services” (PriceWaterhouseCoopers, 2001:4).

The final sixth trend relates to upgraded and new business models that are being developed to meet these industry challenges. The US way of managing private banks are influencing the European. Effective client management through a wide range of communication channels, outsourcing and tighter links between performance and remuneration among co-workers is seen. Mergers creating new business models, centralisation, stronger differentiation to protect themselves from client defection and a stronger multi-channel approach are emphasised.

Professional services relationships have been characterised by frequent one-to-one encounters with the same service provider (Hausman, 2003) and by creating an intense relationship (Bean, 1991). Looking at the private banking relationship presented in this dissertation, interactions are normally found between the financial advisor and the customer. Some customers also have frequent interactions with an associate taking care of day-to-day trading, if there is a high investment activity. The relationship should nevertheless be developed on the basis of a close contact between the customer and the financial advisor. Each financial advisor manages about 60-90 relationships leaving time to acquire good knowledge and understanding of the customer’s needs and wants. Private banking services may on the basis of these requirements very well be defined as a professional service.

Today’s financial services are more and more targeted towards securities and (mortgage) loans. Transactions, withdrawals, bill payments and money exchange constitute a minor part of the services offered when visiting the bank office; they are done automatically, via ATM:s or through an Internet bank etc. The borders between traditional retail banking and more personalised financial investment services are therefore more difficult to depict today compared to ten years ago. More and more services offered by traditional retail banks comprise investment products.

There are however differences between private banking and retail banking. The customers managed in retail banking are for example far more numerous than the number of customers managed in a private banking unit. It is therefore easier to give more customized services, and the services asked for are often complex where specific competences are needed, e.g. legal advice, tax advice etc. where interdisciplinary co-operation within the different units of the bank is essential. Looking at the definition of professional services used here discussing customized, complex, mainly advisory services, private banking services fit very well into the definition of professional services.

Magrini and Thomas (2001) supports Weldon (1998) in emphasising the trend where the “old money” segment among private banking customers with traditional inherited fortunes is shrinking while the “new money” segment is growing, including company owners and managers who often have a strong financial background. These changes create demands for new types of services. The new segment is attracted to tailor-made, best-of-breed products where they actively can participate in the wealth management process. Innovative products and international presence is also demanded. Magrini and Thomas (2001) also state that this group of customers are less loyal and more price sensitive. The characteristics of these customers are that they are entrepreneurial, perceiving themselves as entitled to first-class services, highly focused on technology, and aware of what is going on in the markets. Access to readily available information, advisory services (including tax, legal, estate and trust services) and the right person at the right time are important aspects of the services they demand from private banks. According to Magrini and Thomas (2001) private banking customers may furthermore be categorised according to delegators (handing everything over to the private bank), validators (make their own decisions and discuss them with the financial advisor before implementation) and soloists (doing everything themselves). (Magrini and Thomas, 2001)

Many private banking customers are managers or company owners, ranging from small family-owned businesses to large corporations. This means that services not only take the private individual into account but also, to some extent, issues involving the company, for example family business succession planning, inheritance issues when selling the company etc. The services offered may therefore be of the utmost importance to the customer since advice and decisions may have a strong impact on the customer's economic situation. The questions dealt with are furthermore often complex and intangible, rendering difficulties to completely understand the significance of certain services, which affects the possibilities to estimate the quality of the services offered. The amount of co-production involved in the service depends on the customers' willingness to specify their total assets and investments. The intentions to improve the purchasing party's performance or well-being (Wilson, 1972) are fairly high since the very core of the services in private banking is based on investment growth.

The above description of private banking customers and the private banking market must be taken into consideration when looking at the types of relationships developed within this branch of financial services. Company owners may for example not perceive a distinct border between financial services related to their company and financial services related to their private wealth. There are furthermore differences between the different private banking segments/customer types relating to Magrini and Thomas' (2001) and Weldon's (1998) distinctions between new and old wealth/money. Important concepts in this dissertation such as relationships, loyalty, ending, relationship strength, consumer attitudes and consumer behaviour must be understood with this in mind.

As mentioned before Congram (1991) discusses certification and ethical codes as central to professional services found in for example legal and medical services. New types of policies are also being developed in the area of financial services. A bill regulating financial advice to consumers has been proposed (SOU 2002:41). The bill recommends augmented demands on advisor competence, documentation of meetings, looking after the consumer's interests, adaptation of advice according to the consumer's wants and needs and the advisor's obligation to warn against unsuitable actions. Due to this bill, several banks have introduced an advisor certification in order to meet competence demands (SOU 2002:41). Together with the code of conduct in the Official Secrets Act it is possible to relate the more strict characteristics of professional services set by Congram (1991) to private banking services. As mentioned before it is here however argued that professional services are not only found in business-to-business contexts, but also on a consumer services market.

Looking at the actors in the private banking relationship, the financial advisors have experience from working with financial services and participate regularly in educational training. The advisor certification also contributes to the knowledge development in the organisation. The performance of the financial advisor as well as the private banking unit is scrutinized through internal measurements and customer questionnaires. The skills of the professional is in other words very important for the quality of the services offered as well as the body of knowledge provided in the private banking organisation. On the other hand, the customer takes a fairly large risk when trusting the advice coming from the advisor, both considering the sums invested in the private banking unit and considering the service as such. Securities always represent some amount of risk, although it may be controlled. It can thus be concluded that private banking services suits the definition of professional services with respect to several important issues brought up in this discussion.

### *3.3.5 Financial services*

Financial services differ from other types of services since the market has experienced a deregulation during the last two decades. It is therefore important to provide a discussion on how this market may influence the relationships discussed here.

Financial services are defined as the mediating of payments, savings and investments, loans and other credits, insurances and advice (Sveriges Konsumentråd, 2002:7). Financial markets are defined as "markets where financial services are supplied. On these markets act, except for banks and insurance companies, also a large number of companies in many different industries (Sveriges Konsumentråd, 2002:7)." Not only the nature of the financial products but also product switching costs, infrastructure cooperation, cost related to redemptions of loans, mortgage deeds, Internet banking, insurance contract time limits, financial rules and regulations, tax rules and capital gains taxation and credit information may influence consumer switching behaviour (Konkurrensverket, 2001).

Customers within the financial sector have traditionally stayed with the same service provider for several years, but due to several fundamental changes in the financial sector during the last decades, the customer relationship and its prerequisites has been affected. Well known brands have been replaced due to mergers or other organizational changes. Competition is today more intense as new financial actors have entered the market at the same time as insurance companies and grocery chains also offer financial services. The whole economy as well as the financial industry has been experiencing both prosperous economic growth and deep recession.

During the last two decades, many prerequisites have changed. The financial market has been deregulated, markets that before were considered national have become international, regulations have become more congruent, the Euro has been introduced in Europe, new technical solutions have brought new distribution channels for financial services as well as lowered the entrance barriers for competitors, changes in the social security system have brought more awareness and greater individual influence over long term pension insurances as well as private actors have a larger share of these investments. (Marquart, 2000)

These fundamental changes have created opportunities and threats for both financial service providers as well as customers. One threat to the traditional financial service providers constitutes a growing customer migration. In a study made by the Swedish Competition Authority (Konkurrensverket), 15% of the respondents claimed to use a larger number of banks today compared to three years ago (Konkurrensverket, 2001). Increased numbers of financial service providers on the market render the possibility for the customer to switch provider, but also the option to use several different financial institutions simultaneously, thus decreasing the customer share in the main bank. The migration constitutes both customers switching totally (complete termination of a relationship) or partially (the customer stops using some of the services). Fierce competition makes it possible for customers to compare prices and negotiate on fees or interest rates putting pressure on financial institutions to compete on price. New technology has at the same time to some extent alienated the customer from the bank creating fewer incentives to stay with the current provider.

Technological progress, however, also increases switching barriers since the comfort of using a known Internet bank might hinder a customer from changing bank and going through the discomfort of having to download new programs, learn new security routines, find out new ways of doing standard procedures etc. Moreover, new information technology renders opportunities for service providers to put more effort on issues that are important for the customer such as loans and investments, instead of concentrating on administrative tasks such as transactions, handling cash etc. Securities are furthermore a profitable business compared to the more traditional services offered.

Nevertheless, the focus on profitability also constitutes a threat to the customer relationship if profitability rather than relationship lifetime is rewarded among customers. If a customer becomes less profitable for the bank (e.g. settles a loan) it could imply less service, higher fees etc. for the customer. This of course diminishes incentives to stay loyal to the bank and increases the motivation to compare financial service providers purely on price. When the bank focuses on monetary rewards, why shouldn't the customer do the same? Since funds have become a large share of household's savings, taxes may however impede customers from moving all investments to other banks since tax must be paid if changing or selling a fund with profit. Customers staying with a bank solely due to switching barriers wishing to terminate the bank relationship as soon as possible may in other words very well exist. The global economy also influences the customer's ability to choose a provider. Customers are reluctant to sell investments during market recessions, creating switching costs depending on the structure of the investment portfolio. Difficulties to compare complex financial services and performance outcome makes it furthermore difficult to evaluate whether or not other alternatives on the market are superior to the one currently used.

However, there are also new possibilities created for the customer. Less time needed to spend on issues such as paying bills, transactions etc. makes the bank relationship more efficient. Queuing and problems related to finding time to visit the bank during restricted opening hours are not as bad as they used to be. The customer has furthermore an augmented freedom to choose a service provider, without having to take too many geographical considerations into account.

The financial market has thus gone through several changes which may have had an impact on the relationship between the bank and the customer. Even though research has started to look at problems such as termination, dissolution, and switching etc. there is still a need for further understanding on how to manage this process (Grönhaug et al, 1999; Roos 1999a, b; Stewart, 1998a,b; Tähtinen, 1999, 2001) and prevent the relationship from ending. The increased customer migration indicates a present problem related not only to the ability to understand terminated customers, but rather those customers whose relationship strength seems to weaken, here conceptualised as fading relationships.

The financial sector possesses comprehensive information on the financial behaviour of their customers, although there are restrictions related to the use of such information. This makes it possible to track behavioural patterns and at least to some extent follow the development of the customer relationship. But possessing information on customer behaviour does not provide a total understanding of a fading relationship process. A customer might show a pattern of less contact with the bank, or use fewer products but still perceive her relationship as very strong. Even though the bank is able to combine behavioural data with information from life style surveys, there is still a lack of understanding customer attitudes. This understanding would give relationship managers better prerequisites to recognize more complex changes in the customer relationship.

This dissertation illuminates customer relationships in a private banking context (wealth management) where financial advisors constitute the primary link between the customer and the bank. An assumption was made that more valuable and comprehensive information was to be retrieved from customers with a high consciousness of the relationship to the bank. Among this group of customers, individuals with limited interest in financial services can of course be found, but choosing a private bank setting probably reduces the proportion of customers not frequently using bank services, which in combination with a low interest could cause less involvement in the relationship to the bank and therefore result in less interest to participate in the current study and communicate experiences from the bank relationship.

In order to understand fading customer relationships, it is also important to understand how the relationship changes. After introducing the relationship dyad and the relationship context, the relationship strength concept will consequently be discussed to provide a basis for understanding the dynamics of the relationship.

## 3.4 Relationship strength

Relationship strength is in this dissertation an important concept for the understanding of fading since the definition that has been presented in the introductory chapter (which also will be further discussed in Chapter 3.6) describes fading as "*the weakening of relationship strength, where the outcome of the process is not yet known*". The relationship strength concept constitutes in other words the core of understanding fading customer relationship processes.

Loyalty and relationship strength have been discussed as synonyms although relationship strength is more often discussed in industrial marketing literature whereas loyalty comes from consumer behaviour literature (Liljander and Strandvik, 1995). Bove and Johnson (2001) claim however that loyalty and relationship strength do not represent the same concepts even though they are positively related to each other. While loyalty mostly has been viewed from the perspective of the firm managing the loyalty (Arantola, 2002; Gwinner, Gremler and Bitner, 1998), relationship strength has more often been used when studying both sides of a relationship. Although the focus remains on the customer's perception of a fading relationship, both sides of a relationship dyad are included in the understanding of the fading process. This makes the relationship strength concept more suitable when conceptualising fading as opposed to the loyalty concept.

Bove and Johnson (2001) discuss three concepts related to the magnitude of service relationships: relationship closeness, relationship quality, and relationship strength. The authors conclude that relationship closeness should be used only when the relationship in a commercial setting has developed into a friendship, building their conclusions on the social psychology literature looking at interpersonal relationships. Close relationships may according to Altman and Taylor (1973) be particularly sensitive if having a narrow experiential base (i.e. a short history) making them deep (close) but narrow at the same time. "A single disagreement in intimate areas can quickly disrupt these relationships because each event plays a major role in the total mutual experience (Altman and Taylor, 1973:172)." The authors however make a distinction between disagreements. Some issues are not as intimate to the relationship as others and have thus a stronger effect on the development. A relationship with a longer history has a better chance of withstanding conflicts arising, also when problems relate to intimate areas (Altman and Taylor, 1973).

Relationship quality is according to Bove and Johnson (2001) appropriate when studying customer/buyer relationships with a firm/seller operationalized through trust and commitment, whereas the relationship strength concept is best suited to describing the "magnitude of a relationship between two individuals in a commercial setting (i.e. a customer and service worker/salesperson) […] (Bove and Johnson, 2001:193)." Bove and Johnson (2001) conceptualise relationship strength as the extent of a customer's trust and commitment towards a service worker. The authors suggest that the relationship strength concept is particularly suitable for highly interpersonal relationships where frequent contacts are made with the same service personnel. If the service moreover is built on a large amount of credence making it difficult to assess quality (increasing the customer perceived risk) relationship strength constitutes an appropriate concept. (Bove and Johnson, 2001)

The relationship strength concept will therefore be used in order to discuss fading in the types of service relationships found between customers and the financial advisors in a private banking unit, since they to a large extent resemble the relationships described by Bove and Johnson (2001) as suitable when analysing relationship strength.

Strandvik and Liljander (1994:7) define relationship strength in more broad terms conceptualised as "what it takes to break the relationship." In economic terms the concept of relationship strength is similar to relationship equity, which in turn is based on perceived relationship value: relationship benefits evaluated against relationship sacrifice. Strandvik and Liljander (1994) perceive relationship strength as a multidimensional measure where relationship commitment and relationship loyalty creates the base. Liljander and Strandvik (1995) discuss the degree of commitment, purchase intentions and also introduce the existence of bonds in their later conceptualisation of relationship strength. Ward and Smith (1998) argue that relationship strength cannot be measured as a common construct applicable to all types of products and services. They show in a study “that relationship strength varies significantly between service products and individual customers, and that the impact of duration, frequency, age, and gender on relationship strength depends greatly on the nature of the service product under consideration (Ward and Smith 1998:570).” The different impact of relationship strength across service types is also supported by Patterson and Smith (2001) operationalising relationship strength through antecedents of relationship commitment.

Trust “existing when one party has confidence in an exchange partner’s reliability and integrity” is seen by Morgan and Hunt (1994:23) as a major determinant of relationship commitment defined as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it” (Morgan and Hunt, 1994:23). The authors take a business-to-business perspective and state that actors in a relationship will only look for trustworthy partners since commitment entails vulnerability. If a customer is satisfied, it will help build commitment, which affects the perception of the relationship as worth a long-term investment.

Commitment is also perceived as important by Storbacka et al (1994:25) defining relationship strength as “[m]easured both as purchase behaviour and as communication behaviour (word of mouth, complaints). If loyalty (repetitive purchase behaviour) is also based on positive commitment by the customer, it indicates a stronger relationship. The behaviour is also according to them affected by the bonds between the customer and the service provider. Storbacka (2000:582) gives a more detailed definition of relationship strength where “[r]elationship strength is a function of relationship-intrinsic factors such as the relationship history, the volume and relative importance of the relationship (for both parties), the customer’s commitment and satisfaction, the bonds developed during the history of the relationship, and the provider’s ability to handle critical episodes.”

Beatty et al (1996) looking at service relationships between customers and sales associates found trust, friendship and functionality to be important for the solidification of a relationship. Barnes (1997) operationalises strength and closeness as two separate concepts when analysing the nature of relationships between providers of financial services and their retail customers. Strength incorporates according to Barnes (1997) the depth of customers’ interactions (share of business), the customers’ feeling about a future bank relationship, and the customers’ willingness to recommend the bank. Closeness was instead operationalized by Barnes (1997) as a subjective customer assessment of the customer’s present and ideal closeness towards the bank. Gwinner et al (1998) discuss the same type of subjective customer assessment when looking at relationship benefits within strong relationships using a seven- point Likert scale where customers were asked to assess a service relationship as very weak – very strong.

Relationship strength in services has in other words been defined as built on commitment (Bove and Johnson, 2001; Liljander and Strandvik, 1995; Patterson and Smith, 2001; Storbacka, 1994; Strandvik and Liljander, 1994), feelings about a future relationship (Barnes, 1997), trust (Beatty et al, 1996; Bove and Johnson, 2001), satisfaction (Storbacka, 2000), bonds (Liljander and Strandvik, 1995; Storbacka, 2000), relationship history (Storbacka, 1994), communication behaviour (Storbacka, 1994), willingness to recommend (Barnes, 1997), purchase intentions (Liljander and Strandvik, 1995), volume (Storbacka, 2000), share of business (Barnes, 1997) repetitive purchase behaviour (Storbacka, 1994; Strandvik and Liljander, 1994), relative importance (Storbacka, 1994), and management of critical incidents (Storbacka, 2000). The relationship strength concept is therefore explored through the use of four components creating a framework for capturing these concepts. As stated before, all relationships are believed to be unique to some extent. The concepts discussed above are seen as different aspects through which it is possible to analyse the relationship and its strength. Saying that a "true" relationship *must* be built on commitment, trust, interactions or other aspects is not interesting here. If taking a perspective where the components of a relationship differ it is on the other hand important to be able to analyse what constituents a relationship *could* build on. A continuous service relationship is here, from a methodological standpoint, believed to start when a contract is signed constituting the basic minimum definition. Depending on the perceptions of the parties involved in the relationship, it could build on a range of aspects keeping the relationship together looking both at the psychology of the relationship (Barnes, 1997) as well as the behavioural aspects of the relationship.

The assumption that the same factors affecting relationship growth (e.g. loyalty) would also affect relationship dissolution has been rejected (e.g. Keaveney, 1995; LaBarbera and Mazursky, 1983). Since the studies reviewed above concentrate on the strengthening of relationships, it is not possible to directly assume that the same factors would be important when talking about the weakening of relationship strength. Fading has in this dissertation been defined as "*the weakening of relationship strength, where the outcome of the process is not yet known*". In order to analyse the weakening relationship strength a framework built on concepts coming from psychology and later consumer behaviour literature will capture the psychology and behaviour of the relationship providing the possibility to capture factors important to this specific interest. The emphasis on the processual character of fading implies that the changes in relationship strength must be possible to follow over time. The abductive approach directs furthermore the theoretical basis for exploring the fading concept where a broad framework is emphasised instead of a deducted model consisting of specific constructs to be measured. The conceptualisation of relationship strength incorporates cognitive, affective, conative and behavioural components. *What* type of cognitive, affective, conative and behavioural components "should" be included in the relationship strength concept is not defined. These components constitute instead a framework for analysing fading. The weakening of any of these components could indicate a weakening relationship strength.

### *3.4.1 Cognitive, affective, conative and behavioural components of relationship strength*

Attitudes were by Rosenberg and Hovland (1966) emphasised as measurable by observing affective (emotions), cognitive (thoughts) and behavioural responses to some type of stimuli. Behavioural responses were in this case considered overt actions and verbal statements concerning behaviour. Fishbein and Ajzen (1972) as well as Wärneryd (1979) discuss attitudes looking at cognitive elements, affective elements and tendency or intentions to act. The component "tendency to act" is in Wärneryd (1979) used as an attitudinal variable looking at the probability that a person will act in a certain way. Intentions to act are in Fishbein and Ajzen (1972) also conceptualised as conations. The term conative or conation is in other words used interchangeably for behavioural intentions (Fishbein and Ajzen, 1972:495).

Affective, cognitive and conative terms are a fundamental focus of much theoretical development in consumer marketing research either seen as influenced by situational variables or constituting fairly permanent consumer characteristics (Aurifeille, Clerfeuille and Quester, 2001). The interrelatedness of cognitive, conative and affective components has been debated (Ajzen and Fishbein, 1980; Aurifeille, Clerfeuille and Quester, 2001; Dick and Basu, 1994; George and Torger, 1979) and much effort has been put into measuring the effects of these constructs (Fishbein and Ajzen, 1972). The ontological and epistemological approach in this dissertation makes it less interesting (and impossible) to observe causal distinct effects between cognitive, behavioural, affective and conative components. In line with this assumption Zaltman (2003:8) emphasises that "Although our brains have separate structures for processing emotions and logical reasoning, the two systems communicate with each other and *jointly* affect our behavior." Cognitions, affections and conations are rather influencing and influenced by each other and how a person behaves.

Dick and Basu (1994) discuss attitudinal antecedents (cognitive, affective, conative) as influencing repeat patronage (behaviour) when analysing loyalty (see Figure 5). They define loyalty as the "strength of the relationship between an individual's relative attitude and repeat patronage (Dick and Basu, 1994:99)." Loyalty would consequently according to them be equivalent to relationship strength.

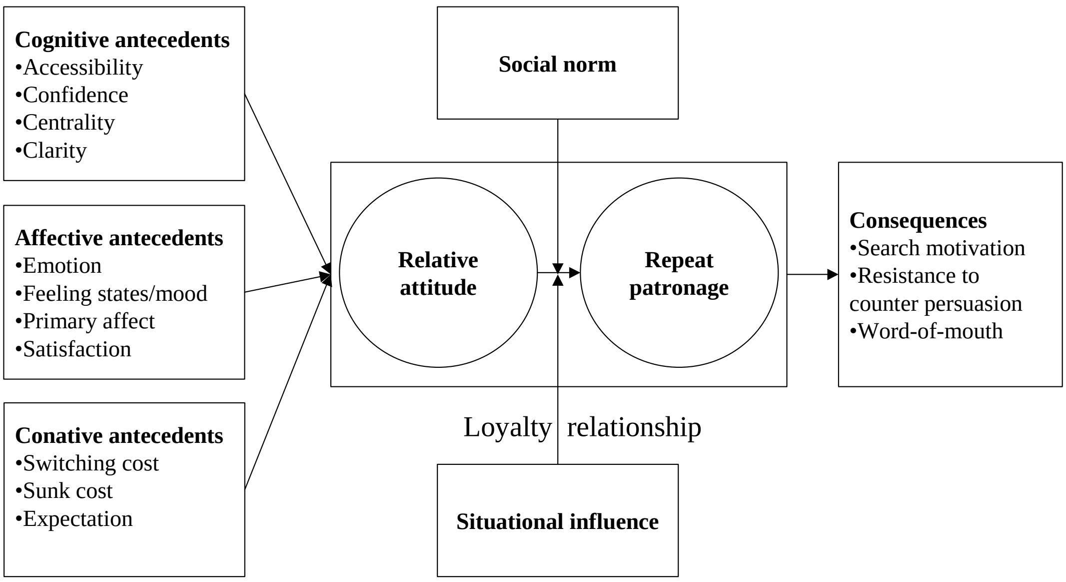


**Figure 5: A framework for customer loyalty (source: Dick and Basu, 1994)**

An attitude represents, according to Dick and Basu (1994), an association between an object and an evaluation; the relative attitude is also linked to a specific context, which is an important issue here. Cognitive (information determinants, here accessibility, confidence, centrality and clarity), affective (feelings, here emotions, feeling states/moods, primary affect and satisfaction) and conative (behavioural dispositions or intentions, here switching costs, sunk costs and expectation) antecedents influence the relative attitude. Social norms (the customers belief's about what significant others' think the customer should do) and situational influences (events outside the behaviour-attitude relationship) mediate this relationship.

Oliver (1997) also incorporates these aspects into his four-stage loyalty model depicted in Figure 6. According to Oliver (1997:392) "[c]ustomer loyalty is a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior". The commitment held in this definition is according to Oliver (1997) built on the phases through which loyalty develops, leading to commitment. This does however not mean that cognitions, affects and conations are congruent. It means rather that customers become loyal first through cognitions, then affections and last in a conative manner. This must according to Oliver (1997) also be taken into consideration when looking at customer switching. Oliver (1997) does however not incorporate a switching or dissolution stage in the process model.

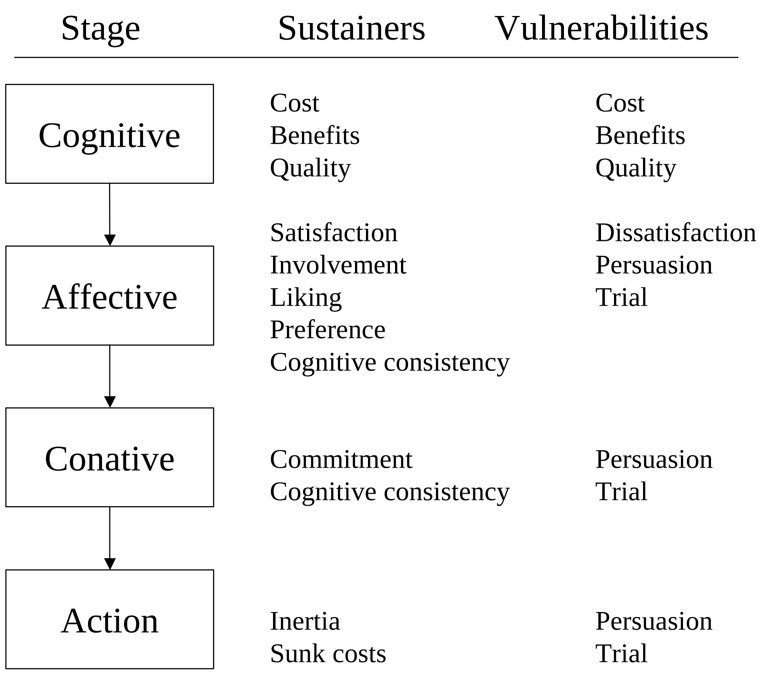


**Figure 6: Four-stage loyalty model: sustainers and vulnerabilities (source: Oliver, 1997:394)**

In the first phase, the cognitive phase, loyalty is based on information available pointing at choosing one company rather than the other. The customer evaluates costs, benefits and quality. In a bank context this could consist of for example interest rates, fees, special products or services offered. This loyalty is however fragile and could easily be influenced by competitors.

The next phase incorporates affect. Attitudes are here formed on the basis of cognitive aspects such as expectations and disconfirmation along with prior attitudes and satisfaction. Affect is here present in the form of prior attitudes and also as a component of satisfaction. Loyalty is at this stage more difficult to influence since it is not only based on cognitions, but also on affective aspects incorporating for example satisfaction, involvement, and liking creating a preference. Oliver (1997) emphasises however that affective loyalty is not enough to guarantee true loyalty.

The third phase also includes conative loyalty. Conation means an intention or commitment to behave according to a certain goal. This state is described in Oliver's (1997) definition as a deeply held commitment to rebuy and takes the loyalty beyond affect, also including a motivation or desire to act.

The fourth phase constitutes action loyalty, a result of the preceding phases and also the phase where the customer actually proves his/her loyalty by acting in a certain manner. The customer has then developed a habit or a routinized response behaviour and "acts on its own" with little presence of thoughts.

Although Dick and Basu (1994) and Oliver (1997) have developed the models from a consumer behaviour perspective looking at loyalty they may still be applicable to the current service relationships. Roos (1999a) discusses emotional, cognitive and behavioural elements of loyalty where customers on a Re-path (revocable switching behaviour) are " an 'unvoicing' and 'no emotion expressing' group (Roos, 1999a:251)." Emotions are furthermore usually expressed when complaining and when receiving poor responses to their complaints (Roos, 1999). Roos (1999) also discusses commitment and involvement where customers who are interested in the industry and their service provider behave differently from the customers that are not (Roos, 1999a).

Just as no clear-cut definition of trust and commitment exist as they have been suggested as prerequisites for each other making it unclear which variable acts as an antecedent to the other (Bove and Johnson, 2001), relationship strength and loyalty has been discussed as equated to each other (Dick and Basu, 1994, Liljander and Strandvik, 1995). Stronger relationships have also been discussed as having an impact on service relationship loyalty (Palmer and Bejou, 1994) or being a prerequisite for behavioural loyalty (Bove and Johnson, 2001).

Following the explorative approach, relationship strength is in this dissertation explored through the use of the four components (cognitive, affective, conative and behavioural) incorporating concepts discussed such as commitment, trust, concentration of purchases, word-of-mouth, quality, satisfaction, perceived benefits, sacrifices etc. Even though Dick and Basu (1994) and Oliver (1997) perceive the antecedents or loyalty stages as following a specific causal order, this notion is not supported in this dissertation. Furthermore, the basis for dividing them into four components does not mean that they should be understood as four different phenomena, exclusive and distinct from each other. Trust could for example constitute both a cognitive and an affective component just as satisfaction. The four components are here rather seen as components that influence each other (Zaltman, 2003) where objectively observing causal effects is uninteresting, instead understanding the components as means of understanding relationship strength. This framework is developed in order to understand changes in the relationship, i.e. understanding *what* is changing when a relationship is fading.

#### *3.4.1.1 Cognitive components*

Cognition is by Oliver (1997:27) defined as "thought and reason involving the conscious processing of information." Cognitions concern the intellectual processing of information. Perceptions of performance as well as service quality constitute information that is cognitively processed (Liljander and Strandvik, 1995). Cognitive antecedents as discussed by Dick and Basu (1994) incorporate information determinants (e.g. beliefs related to brands) such as accessibility, confidence, centrality and clarity. Other cognitive components of relationship strength could for example constitute value, relative importance, sacrifices, and benefits.

A weakening cognitive process is hard to perceive, for example a customer being of the opinion that the quality is low or perceiving that the bank does not have the capability of performing a service offered. This type of fading takes place in the mind of the customer and must be expressed in some way in order for the other actor(s) in the relationship to notice it.

#### *3.4.1.2 Behavioural components*

According to Liljander and Strandvik (1995) the loyalty concept comes from the traditional marketing model building, where it corresponded to observed purchase behaviour. The behavioural aspects of the relationship, for example purchase behaviour, interactions and modes of interacting with the bank, concentration of purchases or volume, word-of-mouth behaviour etc, relate to the customer's behaviour. This might however also incorporate acts outside the focal relationship. Contacting competitors is e.g. a behaviour that is not performed in the focal relationship but might nevertheless influence the same.

The behavioural process could be interpreted as the most obvious type of fading, for example less frequent contacts with the bank, decrease in products/services bought from the bank, transfer of some investments to other banks, the spreading of bad word-of-mouth etc. But for example less frequent contacts with the bank is perhaps not a good indicator of a fading relationship that might lead to termination; it could also reflect normal changes in the relationship not critical for its existence.

#### *3.4.1.3 Affective components*

The words affections and emotions have been used as equivalent as well as different concepts. Affect has been described to contain emotions, among other things, and emotions have been described to contain affect (Oliver, 1997). Oliver (1997:27) defines affect as including only emotions, although he states that affect could be seen as a component of emotion (Oliver, 1997:293). Dick and Basu (1994) use the concept affect instead of emotions when studying loyalty, and Oliver (1997) also uses the term affect. The purpose of this dissertation is not to probe into the exact differences between the concepts (which seems more or less impossible), and affect and emotions are therefore used as equivalent terms although there may be differences between them. Affect could represent e.g. dissatisfaction, anger, frustration, hate, satisfaction, joy, pleasure etc. Dick and Basu (1994) incorporate emotions, feeling states/moods, primary affect and satisfaction into the affect concept. The process of weakening affective aspects could be disappointment and anger following for example a bank's inability to perform a service.

#### 3.4.1.4 Conative components

Conative aspects constitute behavioural intentions or predispositions to act in a certain manner (Dick and Basu, 1994; Oliver, 1997;). Dick and Basu (1994) incorporate switching costs, sunk costs and expectation into the conative antecedent. Intentions to act in a specific way have been used for example in attempts to predict switching (Bansal and Taylor; 1999; Colgate, 1999; Garland, 2002). These predictions have been more or less successful and it is important to emphasise that conative aspects are not considered here for the purpose of using them in predictions. They are believed to be important for other purposes, for example understanding intentions from a relationship development perspective (e.g. what intentions did the customer have when entering a relationship and have these intentions changed?). Commitment could for example be said to be a conative aspect if defined as the "parties' intentions to act" (Liljander and Strandvik, 1995; Storbacka et al, 1994). Weakening conative aspects could represent an unwillingness to continue the relationship.

### 3.4.2 The general impression of the relationship

Social norms (the customers belief's about what significant others' think the customer should do) and situational influences (events outside the behaviour-attitude relationship) moderate the effects of the attitudinal antecedents in Dick and Basu's (1994) model. They are here perceived as contextual aspects influencing the relationship strength. Relationship strength is here believed to be also influenced by a subjective assessment (Berscheid, 1979) through a general impression of the relationship (Barnes, 1997; Gwinner et al, 1998) incorporating how the customer perceives the relationship according to the economic climate, life situation, relationship history and bonds which might filter the perception of the relationship components.

A customer may for example continue buying a service although the cognitive, affective and conative components of the relationship are weak due to for example switching or exit barriers. The use of an all-embracing concept such as the "general impression" is related to the previous discussion on the relationship concept. The history of a relationship may for one customer have a strong filtering role on the components of relationship strength, while to another customer it does not. Bonds are believed to be particularly important for the understanding of relationship strength (Liljander and Strandvik, 1995; Storbacka et al, 1994; Storbacka, 2000; Strandvik and Liljander, 1994) and will therefore be discussed in more detail.

There are according to Liljander and Strandvik (1995) bonds in a relationship that can be considered as exit barriers, or switching barriers, which could act as a mediator to customer satisfaction. This implies that they have the capacity to prevent customers from switching service providers even if the quality of the services is low. The concept of bonds emanates from the interaction and network approach of industrial marketing (Liljander and Strandvik, 1995; Storbacka et al 1994). Bonds correspond to the concept of distance, referring to the degree to which two interacting companies are similar to each other and also the familiarity they feel towards each other (Liljander and Strandvik, 1995). Closeness and distance have also been used in sociology and social psychology to describe relationships. Johansson (1996:15) refers to George Simmel's discussions on alienation and aliens/strangers and describes relationships as always having a varying amount of closeness and distance. Distances that have been suggested within the network approach are social distance, technical distance, cultural distance, geographical distance, and time distance (Liljander and Strandvik, 1995). According to Liljander and Strandvik (1995) these bonds are to some extent limited when applied to consumer markets, and therefore they add four bonds to the list: geographical, cultural, ideological, and psychological.

As mentioned, some bonds between a customer and a provider can be considered as exit or switching barriers, which could act as a mediator for customer satisfaction. This implies that they have the capacity to prevent customers from switching service providers even if the quality of the service is low. Legal, economic, technological, geographical and time (corresponding to planning) bonds should according to Liljander and Strandvik (1995) be placed in that category. The remaining bonds - knowledge bonds (e.g. a financial advisor having very good knowledge of a customer's investment philosophy), social bonds (e.g. being acquainted with someone at a bank), cultural bonds (a bank connected to a certain cultural background), ideological bonds (the customer being able to identify with a banks ideology) and psychological bonds (the customer is convinced of a banks superiority) - are in contrast positive in the eyes of the consumer.

The positive or negative significance of the bonds are however difficult to assess. Social bonds are seen by Hocutt (1998:192) as the development of "strong personal friendships that tend to hold a relationship together." This is also supported in Storbacka et al (1994), Liljander and Strandvik (1994) as well as Strandvik and Liljander (1995). Grönhaug et al (1999) claim however that strong social bonds between actors in a relationship could be negative since they sometimes rather prevent than improve information flows. According to Grönhaug et al (1999) it is important to learn from each other in a relationship to prevent the parties from creating their own mental maps of what is going on, and not see changes that need to be noticed.

### *3.4.3 Definition of relationship strength*

The four components of relationship strength make it possible to understand different types of relationship strength building on different combinations of the components. Being able to follow the development of such combinations where the content of the components is discussed provides one approach to understanding the dynamics of relationship strength. The strength of the relationship is however also filtered by the general relative impression of the relationship, which could include bonds, relationship history, the relative importance of the relationship etc. The emphasis remains on *could*, underlining that the relationship history may have a very large impact on the relationship strength in one relationship whereas it does not in another. Following the intentions to create a framework for understanding relationship strength, the concept is here defined as consisting of the *sum of the interrelated cognitive, affective, conative and behavioural components filtered by a general relative impression of the relationship*.

The general impression is relative in the way that it is context dependent. Dick and Basu (1994) discuss social norms and situational influence as important for the understanding of the relative attitude. Social bonds may influence a relationship in one situation (for example when buying investment products) whereas it may not in another (for example when discussing interest rates). The relationship history may furthermore have had a filtering effect on the components of relationship strength in one relationship whereas social bonds may have been important in another. The filtering effect of the general impression of the relationship is in other words relative according to situations as well as relationships.

## 3.5 Ending relationships

After discussing relationship strength, which is a central concept in the understanding of fading customer relationships, ending relationships will be introduced and presented as a springboard for the understanding of fading. Ending relationships has been studied from many different angles emanating from customer complaints (e.g. Bolton and Bronkhorst, 1995), satisfaction/dissatisfaction (e.g. Athanassopoulos, 2000, Athanassopoulos et al, 2001; Bolton, 1998; Jones and Sasser, 1995; Mittal and Lassar 1998; Ping, 1993; 1994), critical incidents (Keaveney, 1995; Kelley et al, 1993; Roos, 1999a, b), service quality/service failure (Maute, Forrester and Carley, 1994; Reichheld and Sasser, 1990), trust/commitment (e.g. Hocutt, 1998) etc. The research has furthermore focused on different aspects of the ending relationship. The earlier articles have mostly started from the point of view of determinants or reasons for relationship exit/termination or switching (e.g. Athanassopoulos, 2000; Bansal and Taylor, 1999; Bolton 1998; Bolton and Bronkhorst, 1995; Colgate et al 1996; Colgate and Hedge 2001; Henke, 1995; Hocutt 1998; Jones and Sasser, 1995; Keaveney 1995; Mittal and Lassar 1998). The focus has, however, shifted more and more towards processes rather than determinants (e.g. Coulter and Ligas, 2000; Michalski, 2002; Roos 1999a, b; Stewart 1998a,b; Tähtinen 1999, 2001).

The background to ending customer relationships emanates from different theoretical approaches where business administration theory constitutes one of the sources influencing the research area. Tähtinen and Halinen (2002) found four different approaches based on the type of relationship examined and the theoretical discussion they relate to:

- Business-to-business relationships approach building on the Interaction and Network Approach
- Business-to-consumer relationships approach building on Services Marketing and Relationship Marketing
- Channel relationships approach building on Political Economy
- Empirical and Industry based approach building on empirical studies made in the advertising industry

The influences affecting today's theory on ending business relationships are here seen as coming predominantly from two broad research streams: sociology, social psychology and psychology (e.g. Baxter, 1985; Duck, 1981; 1982; Felmlee, 1990; Simmel, 1950) on the one hand influencing conceptualisations of interpersonal relationships; and economics and political economy on the other hand influencing conceptualisations of market forces and relationships between market actors (e.g. Boroff and Lewin, 1997; Hirschman, 1970; Rusbult, Farrell, Rogers and Mainous, 1988; Rusbult, Johnson, and Morrow, 1986). Their influence might seem to be too far from the area of ending commercial relationships, but they have nevertheless affected conceptualisations, definitions and theories within this field of research.

The phenomenon of relationship ending has been discussed using a wide range of definitions and concepts, often to explain the same or similar aspects: aftermath, attrition, breakdown, break-up, churn, collapse, decline, defection, deterioration, discontinuation, disengagement, dissolution, divorce, ending, exit, fading, failure, migration, switching, termination, un-coupling, withdrawal etc. To generate a better understanding and definition of a fading customer relationship it is important to map out related or equivalent definitions. As mentioned before, Tähtinen and Halinen (2002) found four main approaches in the marketing discipline looking at ending customer relationships. The following discussion will look at the concepts most often used in these four approaches.

Within sociology (e.g. Asplund, 1967) and social psychology (e.g. Baxter, 1985; Duck, 1981, 1982; Felmlee et al, 1990; Johnson, 1982) ending relationships have been analysed from the point of view of relationships in general, e.g. marriage, partners, co-habitants, friendship etc. Duck (1982) defines the concepts dissolution, termination, breakdown, decline and disengagement. *Dissolution* and *termination* refers according to Duck (1981; 1982) to the "permanent dismemberment of an existing relationship" (Duck, 1982: 2) whereas *breakdown* indicates "both intended and unintended disruption or failures of process or mechanism in relationships which may not be subsequently mended or re-established" (Duck, 1981:7) which later was defined as "turbulence and disorder in a relationship that may or may not lead to dissolution" (Duck, 1982:2).

*Dissolution* is a widely used concept also in studies within the business administration framework. Tähtinen (2001:46), who relies strongly on social psychology influences, defines a business-to-business relationship as having entered the dissolution phase "when at least one partner no longer views the relationship as continuing (i.e. reciprocal relational bonds have been broken) or the interdependency has otherwise critically decreased". A dissolved relationship is according to Tähtinen (2001) related to a specific point in time, the dissolution does not hinder a relationship from being re-activated later on. A dissolved relationship is however different from a sleeping relationship where activity links might be non-existent, but where the parties have the intention to pick up the relationship and keep it alive (Tähtinen, 2001). Tähtinen and Halinen (2002:27) discuss dissolution as the "ending process irrespective of whether an ending decision has been made". They distinguish dissolution from termination by emphasizing the deliberate decision. Termination is thus according to Tähtinen and Halinen (2002:27) "an ending where one of the parties, or an outside actor, deliberately ends a relationship". Alajoutsijärvi et al (2000:1272) use the definition of Tähtinen and Halinen-Kaila (1997) where "a relationship is dissolved when all activity links are broken and no resource ties and actor bonds exist between the companies". There may still remain personal relationships between actors in the former relationship, and also remain reminiscences in the organizational memories despite the fact that the relationship as such has dissolved.

Hocutt (1998) builds her assumptions on dissolution on the concept of commitment. The stronger the level of commitment, the less likely either actor in the relationship will dissolve the same. Loss of commitment is in other words the cause of dissolution, but she does not define when the relationship is dissolved, other than discusses the definition offered by Duck (1982).

Perrien et al (1991) include also, in their study of business-to-business relationships (commercial banking), the search process for a new relationship and the selection of a new relationship partner in the dissolution process. They use the terminology of *divorce* as the "…negation of the relationship concept…" (1991:1).

Customer *exit* is also widely used, often referring back to Hirschman's (1970) theories on exit, voice and loyalty. The deterioration in performance is most often reflected in the quality of products and services. There are two ways by which managers find out about these problems: either through the fact that customers stop buying products or leave the organisation (exit) or through the expression of the perceived dissatisfaction with the products or services bought (voice). Stewart (1998a: 235) refers to Hirschman (1970) when using the term customer exit to "denote the economic phenomena of a customer ceasing patronage of a particular supplier". This would imply that exit only regards the (economic) effects of behavioural detachment when customers stop using a particular supplier. This definition is operationalized in Stewart (1998b) where the closing of the main bank account, representing the last account in the relationships, defines customer exit. Bolton and Bronkhorst (1995:94) build on Hirschman's (1970) definition and state that "a customer may exit from a relationship with a firm by switching brands or service providers, or by reducing consumption levels". Compared to Stewart's (1998a) definition they also include the reduction of consumption and not only the complete termination of patronage. Both definitions nevertheless build on a behavioural detachment.

Coulter and Ligas (2000) build on social psychology theories of dissolution of interpersonal relationships when they discuss "the long exit" as including a dissolution stage, an exit stage, and a post-dissolution stage. The exit refers to the behavioural consequence of the preceding dissolution stage and the post-dissolution stage represents the customer's willingness to engage with the same service provider again or not. "The long exit" is thus not seen as an exclusively permanent exit from a relationship. Stewart (1998b) is also talking about a post-exit phase in her exit process model. A somewhat differing definition of exit from the above mentioned is offered by Tähtinen and Halinen (2002:27) where exit describes "a single channel member's disengagement from the channel, or more generally a single actor's disengagement from a system of relationships". They do not however define the term disengagement, which makes it difficult to understand exactly what the definition refers to. The authors emphasise however that the definition implies that the system (e.g. network of relationships) continues despite the exit of one of the parties. Applying this term to a relationship dyad would in other words be problematic since the remaining actor cannot have a relationship to itself.

Trubik and Smith (2000) do not define *defection*, but perceive defected customers in their bank study as those that have closed all accounts with a bank. Colgate et al (1996) do not have a definition of defection either except for the empirical use of the concept (the number of customers that had moved the main account to another financial institution) but state that defection or switching is often seen as the inverse of retention, which furthermore is seen as a substitute for loyalty. This is according to Colgate et al (1996) not applicable since loyalty also has an attitudinal aspect. They are nevertheless themselves using behaviour to determine defection rate, but do not take into account the possibility of total vs. partial defection. This has however been done in Reichheld and Sasser (1990) and Reichheld (1996b) where partial, total as well as loss of potential share of wallet is discussed as defection. The behavioural detachment stays in focus also in their discussion on defection as well as in Jones and Sasser (1995).

The term *switching* could also be interpreted as a behavioural dimension. Roos' (1999a) definition of switching includes customers who partially or totally have switched provider. The switching path starts when the customer considers switching, but the customer's behaviour determines if it could be defined as switching or not. Bansal and Taylor (1999:200) also adopt a behavioural approach to switching in their definition: "Service switching involves replacing or exchanging the current service provider with another service provider." Switching intentions are seen as influencing the switching behaviour, but the switch itself is measured according to the behaviour. Tähtinen and Halinen (2002:27) define switching as "such endings where the supplier (or the customer) is substituted for another alternative". Such a definition would according to the authors accentuate the actor's decision, activities in the ending relationship and also the formation of a new relationship. However, they do not discuss partial or total switching.

*Decline* denotes according to Duck (1981:6-7) the "disaffection that precedes the ending of the relationship" which later was described as the "reduction of intimacy without actual physical withdrawal from relationship" (Duck 1982:2). Decline encompasses the restructuring or reformulation of a close relationship, for example getting divorced but remaining friends. *Disengagement* refers furthermore to the "processes of withdrawing from a relationship" (Duck, 1982:2), for example negotiation of the dissolution of the relationship, reducing commitment, restructuring social networks etc. This could be related to the framework presented in this dissertation where changes in relationship strength are captured through the four components. Decline relates to the attitudinal changes (cognitive, conative and affective) of the relationship whereas disengagement relates to the behavioural.

The process *after* a relationship termination is also somewhat discussed in literature. The concept of switching captures this notion by not only looking at the relationship that is terminated, but also the relationship with a new service provider. Skaates (2000) looks at actor bonds after dissolution and Perrien et al (1991) includes the search and selection process for a new partner in the dissolution process. Havila (1996) found that bonds on company as well as personal level might still exist even though a relationship is perceived to be terminated. Havila and Wilkinson (2002) furthermore discuss a type of relationship energy, which continues especially in social bonds, even though the relationship has been terminated.

## 3.6 Definition of fading and related concepts

As stated in the beginning of the discussion of definitions, ending customer relationships is here considered an all-embracing term for the described phenomena. The above review of the concepts in the area of ending customer relationships constitutes the base for the terminology in this dissertation. Here follows a discussion on frequently used concepts that are important for the understanding of fading, which finally results in a discussion and definition of fading.

- Customer **exit** and **defection** will be used to describe the *behavioural detachment* of an ending relationship, i.e. when a customer partially or totally stops using a particular service provider.

- Relationship **termination**, **dissolution** and **switching** will be used to describe *the process* of ending a relationship to a particular service provider, where the outcome is customer exit/defection.

- Relationship **breakdown** will be used to describe *the process of a weakening relationship* to a particular service provider, where the outcome of the process is unknown. They are seen as equivalent to relationship fading.

- **Disengagement** represents the activities/groups of activities that take place during the processes described above whereas **decline** denotes the attitudinal weakening.

The remaining concepts mentioned above (attrition, aftermath, break-up, churn, collapse, deterioration, discontinuation, divorce, failure, migration, un-coupling and withdrawal) are acknowledged as concepts in the current research area, and will be used if discussing a particular author/researchers contribution to the topic, but will otherwise not be further defined.

Grönhaug et al (1999) talk about the breaking or fading away of relationships. They do not explicitly define fading but indicate that fading is doomed to result in an exit. Alajoutsijärvi et al (2000) depict the fading away based on Baxter (1985) as a silent exit *strategy* where “there is no intention or need for communicating exit wishes, meaning that there is an implicit understanding that the relationship has ended”. Both parties perceive in other words the relationship as terminated, but at the same time too sensitive to bring up in a discussion. Both the above conceptualisations of fading describe the phenomenon as preceding relationship ending.

Fading as a concept describing the weakening of a relationship has not however been carefully defined. Grönhaug et al (1999) do not provide a definition of their fading concept and the “fading away” presented in Baxter (1985) and Alajoutsijärvi (2000) constitutes rather a communication strategy instead of a conceptualisation of the process itself. In order to emphasise, capture and conceptualise the weakening of a relationship, and not only consider fading as yet another synonym to the already explored concepts of defection (Colgate et al, 1996; Garland, 2002; Jones et al, 1995; Reichheld and Sasser, 1990; Trubik and Smith, 2000), dissolution (Coulter and Ligas, 2000; Hocutt, 1998; Perrien et al, 1995; Tähtinen, 1999; 2001), ending (Halinen and Tähtinen, 2002), exit (Alajoutsijärvi et al, 2000; Bolton and Bronkhorst, 1995; Helper, 1993; Hirschman, 1970; Ping, 1993, 1994, 1995, 1999; Singh, 1988; Stewart, 1998a, b), termination (Giller and Sheelag, 2000) or switching (Athanassopoulos, 2000; Bansal and Taylor, 1999; Colgate and Hedge, 2001; Jones et al, 2000; Keaveney, 1995; Michalski, 2002; Roos, 1998, 1999a, b), fading is in this dissertation presented as distinct from the above mentioned concepts in the way that the outcome of the process remains unknown.

In Norstedt's English dictionary (1957) the word fade is synonymous to "die", "wither" or "go blighted". Fading is here represented by a figurative event where a distinct transformation or adaptation process diminishes the intensity of the phenomenon, but it says little about the outcome of the process, except in the case of dying. Starting from such a definition, a fading customer relationship would be a relationship that is losing its strength, disappearing, or dying. The Oxford English Dictionary (1989:659) offers several different descriptions of fading, where fading could also mean a gradual shift towards a new level (fade-in or fade-out the volume) – both increasing and decreasing; "The gradual decrease or increase in the brightness or definition of a picture or the loudness of the sound." In both descriptions of the phenomena, the gradual shift towards something else seems to be a central aspect of fading. The outcome is not perceived as a termination of something, which would indicate an emphasis on the process rather than the final state. This is also perceived as central in the definition used in this dissertation.

Fading is here perceived as the process of a temporal or a permanent weakening in the relationship strength and could therefore be seen as equivalent to the term breakdown used by Duck (1981; 1982). Tähtinen (2001) discusses sleeping relationships. The difference between a fading relationship and a sleeping relationship is that the parties in a sleeping relationship have the intention of picking up the relationship and keeping it alive; this could, but does not have be the case in a fading relationship.

Fading is here defined as "*the weakening of relationship strength, where the outcome of the process is not yet known*". The reasons for fading can thus be found both in the relationship itself (including both actors) as well as the context surrounding it (e.g. competitors, life situation etc.). The nature of fading can be active, when the customer seeks a relationship decline, or passive, when the fading takes place with no active or deliberate actions. The fading phase could furthermore have natural causes and should not be looked upon as a state that is necessarily bad.

As the definition of fading suggests, fading could precede a relationship termination, but could also represent a temporal weakening of the relationship without leading to termination. Fading is thus related to "ending" just as much as it is related to "staying". Fading differs therefore from total and partial switching, exit, dissolution and termination since fading does not imply behavioural detachment. Fading could also be a result of weakening cognitive, affective and conative components. In termination, exit, dissolution and switching the behavioural detachment decides whether the relationship should be considered terminated, switched from etc. or not. Fading could instead, for example, only constitute a weakening affective component of the relationship strength, a process that would not be recognised from for example a termination or switching perspective.

Since a relationship could be fading without any behavioural signals or signs involved, the fading phenomenon is very difficult to capture empirically. Relationship exit, termination, dissolution and switching are easier to capture and study since the behavioural detachment indicates the change. Despite these difficulties, it is still an important phenomenon to study. McKinsey (2001) emphasises from a managerial point of view the importance of not only looking at behaviour and satisfaction but also incorporating a broader understanding of attitudes and tailor loyalty approaches to the most critical part of the opportunity to create and maintain customer loyalty.

Determining whether a customer relationship is completely terminated or not could be said to be impossible. Relationships might be established, terminated and re-established over again during the customer's lifetime. As Tähtinen (2001) claims, it is only possible to consider a relationship as dissolved with regard to a specific point in time. But even then we only know the behavioural aspect of the termination, e.g. that the parties do not meet, there is no contract settling the relationship etc. Other aspects of the relationship are more difficult to perceive. Does it seem presumable that a relationship could exist in the future? Do bonds still influence the perception of the relationship? Taking such an extreme standpoint we could claim that fading would be the only possible term to use since we do not know the outcome of the process studied.

## 3.7 Perspectives on ending relationships

Deciding the main cause or reason for an ending process is many times difficult, which further emphasises the need for a broad perspective on fading. Different types of drivers or antecedents of ending processes have been emphasised building on various perspectives through which ending has been analysed. The drivers presented here are derived from the body of literature looking at ending relationships and reflects also fields that traditionally have been discussed within services management and relationship marketing – quality, expectations, commitment/involvement, value and critical incidents. Much research has been looking at these concepts. This chapter will however concentrate on literature relating these concepts to ending with the aim of learning about possible drivers and influencing factors on fading relationship processes.

### *3.7.1 Quality as a driver of ending processes*

Quality is by Oliver (1997) seen as a cognitive aspect, whereas satisfaction/ dissatisfaction constitutes an affective aspect (Dick and Basu, 1994; Oliver, 1997). The quality concept entered the service literature in the beginning of the 1980s as a contrast to the traditional marketing models (Grönroos, 1993) and became one of the most important consumer trends (Parasuraman, Zeithaml and Berry, 1985). The nature of the services themselves - intangibility, heterogeneity, inseparability, services as activities or processes, interaction value, customers as co-producers, no storage or transference of ownership - (Grönroos, 1997) made marketing researchers realize the importance of quality in the service encounter setting (Grönroos, 1993).

The insight into the process of how quality was assessed by customers led to the confirmation-disconfirmation concept of quality – customers incorporate their expectations before buying the service into the assessment of the total quality (Grönroos, 1993). Parasuraman et al (1985) proposed quality to be a function of pre-purchase customer expectations, perceived process quality, and perceived output quality. The gap between what customers expected and their perceptions of the service experience defined the service quality.

The confirmation-disconfirmation theory was also the basis for the idea of quality not being an objective phenomenon that can be engineered beforehand. Customers perceive quality subjectively and, depending on the expectations, the same quality can be assessed differently by different customers. Quality is hence not only dependent on the outcome, but also on the process. The technical quality (*what* the customer gets) and the functional quality (*how* the process work out) are both critical to the perception of the total assessment (Grönroos, 1993), which has been used as a model for analysing quality. Parasuraman et al (1988) later developed ideas based on pre-expectations and post-perceptions into the SERVQUAL instrument, which have also had a large impact on the debate on how quality should be measured and analysed (e.g. Cronin and Taylor, 1992, 1994; Parasuraman et al, 1994).

The development of the research in the area of quality has led the interest towards analysing quality from a broader perspective than the service encounter itself. Liljander and Strandvik (1995) define quality both from an episode as well as a relationship level. The concept of relationship quality offers a more dynamic approach than only looking at the quality of different service occasions. The concept of relationship quality originates basically from two different perspectives or groups of studies: service management on the one hand and the interaction and network approach on the other (Holmlund, 1997). Holmlund (1997:334) emphasises that quality must be understood from the different actors' points of views, emphasising the dyad, and defines perceived relationship quality as "…the joint cognitive evaluation of business interactions by significant individuals in both firms in the dyad. The evaluation encompasses a comparison with potential alternative interactions of a similar kind, which represent comparison standards. In a dyad, the firms' quality perceptions may be mutually positive, mutually negative, or contradictory (incongruent) in a perception configuration."

Ojasalo (1999) discusses how satisfaction accumulates in a relationship and develops the concept of satisfaction capital as the accumulated customer satisfaction towards the services provider at a certain moment in time. Satisfaction is according to Ojasalo (1999) the most important asset of the relationship and the best guarantee of its continuation. Good service quality as well as extra benefits offered in the relationship increases the satisfaction capital whereas inferior service quality decreases it quickly and actively. There is also a possibility that the satisfaction capital slowly and passively evaporates due to the absence of interactions, for example if the service provider does not care what happens with the relationship, or for some reason deliberately wants to decrease the customer's propensity of repeat purchases. The continuation of the relationship may be risked through fatal failures taking place within the relationship. Ojasalo (1999) emphasises however that the relationship also might continue since factors other than satisfaction may affect the relationship continuation.

Hirschman (1970) discusses exit and voice as two consequences of quality decline; some customers stop buying the firms products (exit) and some customers instead express their dissatisfaction to the company (voice) and hope that the quality of the products of services will increase again. The two consequences are however not mutually exclusive and voice may be a substitute for exit, as well as a complement to it. Loyalty is introduced as an explanation as to why both voice and exit would be considered equally attractive to the customer. The likelihood of a customer expressing her dissatisfaction instead of instantly exiting the relationship increases when loyalty is present. (Hirschman, 1970) From an economic perspective, loyalty would constitute an imperfect factor influencing the market mechanism creating a barrier to exit. Loyalty becomes a factor explaining why the customer would choose one strategy (exit or voice) above the other.

Building on Hirschman's (1970) exit, voice and loyalty framework Stewart (1998a) discusses four central ideas: the notion that exit is predicated on customer perception of quality decline, that exit is influenced by the availability of alternatives, that barriers inhibit exit, and that voice is an alternative to exit. Stewart (1998a) concludes that quality decline leading to dissatisfaction is not sufficient or even necessary in order to explain exit. Satiation, boredom, and a wish for more variety must also be considered. Looking at available alternatives Stewart (1998a) states that the alternatives must not only be present, but the customer must also perceive the alternatives as different and better otherwise there is a risk for spurious loyalty where the customer stays in the relationship until these more attractive alternatives are presented. Barriers to exit may according to Stewart (1998a) exist and must go beyond only incorporating technical and financial barriers to also including emotional and cognitive costs. Customer exit and voice is finally not mutually exclusive and may exist at the same time or not at all.

Customers may in other words stay although they are dissatisfied. Stauss and Neuhaus (1997) emphasise that satisfaction may fail to be a valid indicator for loyalty partly because there may be weaknesses in the measurement and operationalisation of the customer satisfaction construct. Bolton and Bronkhorst (1995) show in a study looking at the relationship between complaints and customers' decision to exit that complaints are more likely to be followed by cancellation of a service than by reduced consumption levels. 63% of the customers in the study that claimed to be very dissatisfied remained with the service provider. Out of the total sample, only 2% were however "very dissatisfied". Furthermore the study shows that recovering a complaining customer is difficult. Service representatives cannot entirely prevent exit behaviour by customers who have made a complaint. Proactive strategies therefore become more interesting than reactive actions. The nature of the complaint however affects the likelihood of customers terminating the relationship.

Presuming that a dissatisfied customer would terminate a relationship is linked to the assumption that satisfied customers stay with the service provider or complains and then become loyal after a service recovery (e.g. Fornell et al, 1996). This has however been contradicted (e.g. Jones and Sasser, 1995; Keaveney, 1995; Mittal and Lassar, 1998). Even customers reporting that they are "very satisfied" with the customer service representative may still exit the relationship (Bolton and Bronkhorst, 1995). Mittal and Lassar (1998) found that the relationship between satisfaction and loyalty is rather asymmetrical. Satisfaction does not ensure loyalty, while dissatisfaction nearly guarantees switching. Their measure of loyalty might however be discussed since they measured intended behaviour instead of actual behaviour. It would in other words be more correct to say that they look at conative aspects, i.e. intentions to act in a certain way (here switch). The loyalty concept used by Mittal and Lassar (1998) furthermore only considers the behavioural dimensions of loyalty.

Changes in quality levels affecting satisfaction or dissatisfaction explaining customer's decisions to stay within or terminate a relationship are in other words not sufficient in order to fully understand the ending of customer relationships. In Dick and Basu's (1994) model, see Figure 5, satisfaction is one out of several factors influencing loyalty. As discussed previously, the relative attitude and behaviour does not always correspond. There may be for example situational factors (e.g. a bank close down the nearest branch office) influencing a customer to stop patronising a service supplier, or also social norms (when having a certain position in society, a customer might also choose a certain bank that she believes will support a particular image). If looking at the two aspects in a matrix (see Figure 7), four specific conditions related to loyalty appear according to Dick and Basu (1994):

- *No loyalty*, low relative attitude combined with low repeat patronage. This could be the outcome of a situation with a new product/service on the market or a situation where there are no perceived differences between the products/services on the market.
- *Spurious loyalty*, low relative attitude combined with high repeat patronage. This could be the outcome of non-attitudinal influences on the behaviour, such as situational factors influencing a decision to buy a service/product, bonds, social influences.
- *Latent loyalty*, high relative attitude combined with low repeat patronage. This could also be the outcome of non-attitudinal influences such as social norms, market place factors (a product/service might e.g. not be accessible).
- *Loyalty*, high relative attitude combined with high repeat patronage.

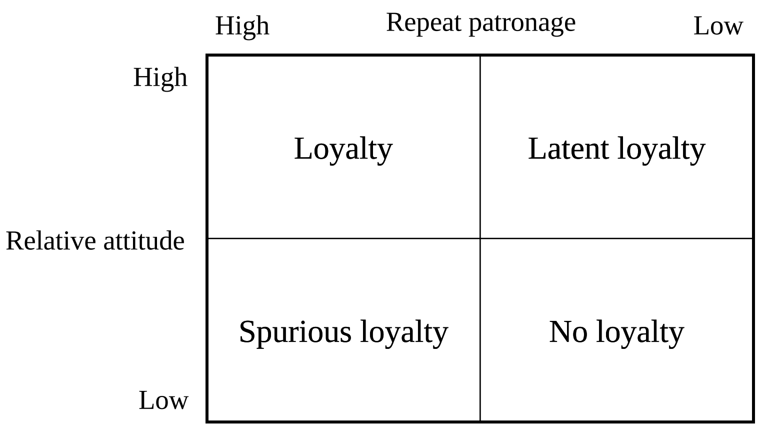


**Figure 7: Relative attitude – behaviour relationship (source: Dick and Basu, 1994)**

Quality decline influencing dissatisfaction may thus in some cases, but not always, be a suitable factor for analysing relationship fading or ending. There is also a need to combine contextual factors into the analysis, which shows the importance of separating the customer's thoughts and feelings from the actual behaviour in the relationship. The structure that surrounds the relationship must in other words be explicit in order to get a complete understanding of fading and ending (Bonoma et al, 1978).

### *3.7.2 Expectations as drivers of ending processes*

Ojasalo (1999) discusses fuzzy, explicit, implicit, realistic and unrealistic expectations. Customers do not always have a clear understanding of what they want from the service provider (Ojasalo, 1999) resulting in fuzzy expectations. According to Ojasalo (1999) customers may still experience dissatisfaction even if they don't know what to expect and claims that customer switching behaviour may be explained in some cases by looking at fuzzy expectations. Implicit expectations are furthermore according to Ojasalo (1999) situations where elements of the service are so self-evident that they are taken for granted. These implicit expectations are found only when they are not met. Explicit expectations are precise and the customer knows what has been going wrong if the company fails in meeting these expectations. Unrealistic expectations are highly unlikely to be met and may involve wishful thinking coming from situations that are impossible to solve. Realistic expectations are finally likely to be fulfilled by the service provider. Fuzzy, implicit, and explicit expectations may be realistic or unrealistic and Ojasalo (1999) emphasises that they may be present at the same time and there is a need to understand how these expectations may change over time. Ojasalo (1999) identifies three possible intentional changes of expectations: fuzzy expectations changes to explicit, implicit becomes explicit, and unrealistic becomes realistic. There may also be unintentional changes of expectations going from explicit to implicit. (Ojasalo, 1999)

Fuzzy, unrealistic and implicit expectations may in other words influence relationships leading to fading or termination. If the customer doesn't know what she wants, there is a tendency to constantly switch provider without finding someone meeting these fuzzy expectations. Unrealistic expectations may also lead to the switching since no provider is able to fulfil the customer's expectations. Implicit expectations may furthermore result in difficulties knowing exactly what the customer wants. Expectations are in other words important for the ending of customer relationships and there is not only a need to measure whether expectations are met or not, but also to study how these expectations may vary looking at their inbound characteristics.

### *3.7.3 Commitment and involvement as drivers of ending processes*

Hocutt (1998) presents a model suggesting that higher levels of relationship commitment will diminish the risk of a dissolved relationship (see Figure 8). It looks at three constructs that all affects commitment: satisfaction with the service provider, quality of alternative providers, and investments in the relationship. Commitment is strong when satisfaction is high, when the quality of other alternative seems poor, and when the size of investment is large.

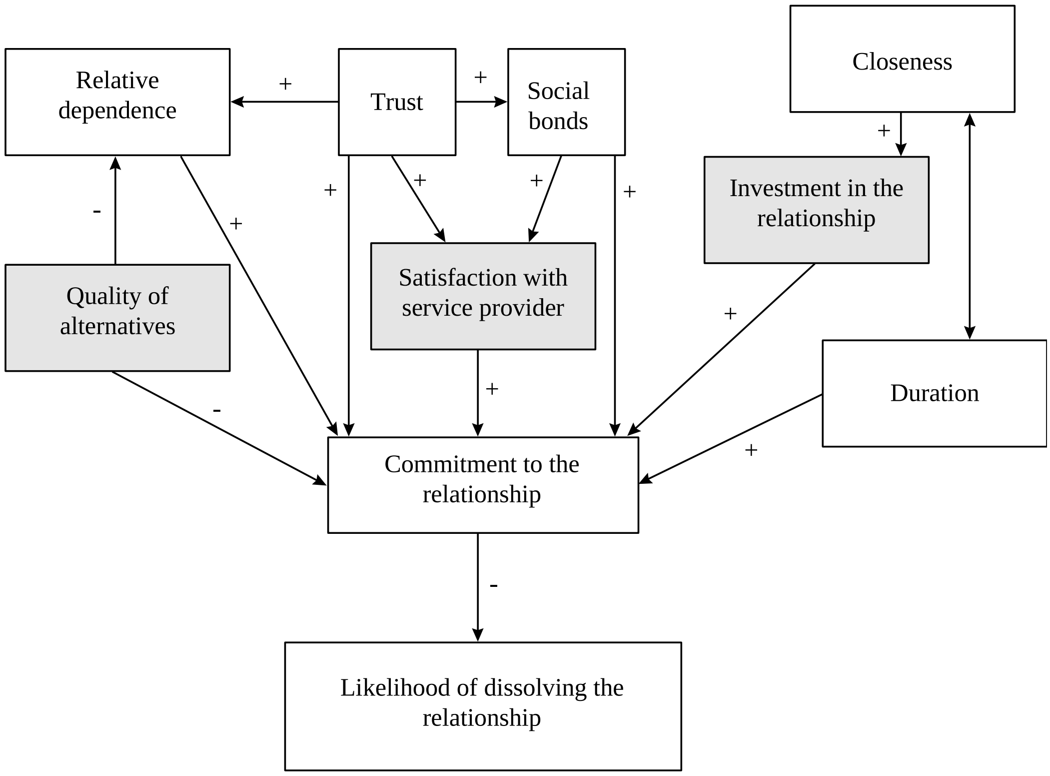


**Figure 8: Dissolution model (source: Hocutt, 1998:191)**

Apart from satisfaction having a positive influence on commitment it also acts as a mediating variable between trust and social bonds. Trust is in Hocutt (1998) proposed to directly influence commitment, although it is also mediated by satisfaction with the service provider and relative dependence. Relative dependence is influenced by the quality of alternatives in the model. The asymmetrical relationship between a doctor and a patient makes the patient dependent on the doctor due to the doctor's competence to help the patient get well. The higher the relative dependence, the higher the level of commitment.

The investment in the relationship acts in Hocutt's (1998) model as a mediating variable between closeness of the relationship and the level of commitment. To be close, a relationship must be characterized by high interdependence (frequent and strong impacts between the individuals in the relationship, impacts involving diverse activities and interconnectivity for a relative long period of time). The duration of the relationship is also believed to affect commitment directly.

Hocutt (1998) incorporate behavioural, cognitive as well as affective aspects influencing conations (here commitment), which in its turn decides whether the relationship will dissolve or not. She does not take a dynamic approach looking at the actual changes in the different aspects but does discuss how more or less the presence of either aspect could affect commitment.

Involvement could be seen as an antecedent to commitment (Oliver, 1997), but has also been categorised as a construct in which commitment forms a part (e.g. Laaksonen, 1994). Studies show furthermore that customers may have low involvement and high commitment at the same time, indicating that decisions taken are habitual (Warrington and Shim, 2000). Involvement could be said to reflect a customer's interest in an industry (a field in which a service provider and its competitors are active) while commitment would rather reflect an interest in one certain service provider (Roos, 1999c). Roos (1999c) claims that involvement should be studied according to relationships and constitutes an important aspect when understanding customer switching (Roos, 1999a). Products that often are considered as low involvement products (e.g. groceries) could within a certain relationship constitute high involvement looking at the involvement not only from one occasion to the other, but from a relationship perspective.

### *3.7.4 Value as a driver of ending relationships*

Relationship value is a central aspect in relationship marketing since the relationship should develop in a shared process where value rest in focus (Grönroos, 2002; Sheth and Parvatiyar, 1995b; 2000). The value concept used in Porter's (1985) value chain has changed and is today more suitable for services and products in today's business world. Normann and Ramirez (1993) emphasise that efforts these days should rather be put on helping customers create value for themselves, instead of just adding value to a product. "Increasingly successful companies do not just *add* value, they *reinvent* it (Normann and Ramirez, 1993:65)."

In accordance with that perspective, value could according to Storbacka (1995:62) be defined as "the amount of information, knowledge and other resources that an economic actor has access to in order to leverage the actor's own process of value creation". Storbacka (1995) describes relationships through the analysis of the exchange of values. The exchange that takes place during the interactions in the relationship must support the parties' own processes – the provider's process and the customer's process. If the respective processes are not supported in the exchanges between the parties, there is a risk that the relationship might end.

High relationship value will, according to Storbacka, Strandvik and Grönroos (1995), affect commitment positively. The perceived value is according to them built on service quality compared with perceived sacrifice where the perceived service quality is described as customers' cognitive evaluation of services across episodes. Perceived sacrifice includes the sacrifices that are observed across all service episodes in the relationship. Both concepts are always compared with some explicit or implicit comparison standard (Storbacka et al, 1995). This comparison leads to a perception of relationship value (Liljander and Strandvik, 1994).

Looking back at the development of services marketing literature, the quality of the service encounter has been of high importance (Bitner, 1990; Grönroos, 1993; Parasuraman et al, 1985). Blomqvist, Dahl, Haeger and Storbacka (1999) maintain however that there is a risk in putting too much concentration on "the moment of truth", since separate interactions or acts comes into focus instead of the whole relationship process itself. What appears to be value creation in a specific interaction might not be what creates value to the whole relationship. In order to understand how value is created we must be able to distinguish between service encounter value and relationship value. (Blomqvist, Dahl, Haeger and Storbacka, 1999)

Reichheld (1996a) consider value creation for customers as well as employees, investors and thereby also for itself, to be the most important goal in a company. It is value, not profit that should be the driving force in a prosperous company. The value creation generates the energy that keeps the company together and its mere existence is dependent on it. Customers, employees and investors are loyalty forces and they are also measurable when analysing the links between loyalty, value and profit. Loyalty is built into the value creation and measures whether the company has succeeded or not (Reichheld, 1996a).

### *3.7.5 Critical incidents as drivers of ending relationships*

Not all acts in a relationship may be equally important to the relationship. Some incidents or acts have a deeper impact on the relationship and these incidents can be defined as critical incidents, i.e. incidents that deviate from what is normal in both positive and negative aspects (Edvardsson and Strandvik, 2000; Friman, Edvardsson and Gärling, 1998; Holmlund and Strandvik, 1999a, b, 2000; Strandvik and Friman, 1998). Both single critical incidents and the cumulative effects of critical incidents may affect the relationship and its development, which makes it important to incorporate the history, present state and the future of the relationship (Edvardsson and Strandvik, 2000). A poor initial relationship quality may for example filter most types of triggers, which are evaluated in the light of the history of the relationship and therefore considered normal (Voima, 2001). Storbacka (2000) include for example critical incidents in the definition of relationship strength. How perceptions of critical incidents are processes in the mind of the customer differs however.

Flanagan (1954) developed the critical incident technique (CIT) focusing on critical performance issues in order to develop better job descriptions. It has since then been applied also to services marketing (e.g. Bitner, Booms and Tetreault, 1990; Bitner, Nyquist and Booms, 1985;). Some studies have studied ending customer relationships through critical incidents (e.g. Keaveney, 1995; Kelley et al, 1993; Roos, 1999a, b). Kelley et al (1993) developed a typology of retail failures and recovery strategies based on the critical incident technique (CIT). Keaveney (1995) used critical incidents to build an understanding of customer switching across different service industries resulting in a model consisting of main causal variables to switching and also consequences after a switch. Roos (1999a,b) created a Switching Path Analysis Technique based on critical incidents to better capture the processual character of ending relationships. CIT has been used in most cases as the platform for collecting empirical data in these studies.

Keaveney (1995) uses CIT to develop a better understanding of customer switching across different service industries. The result is depicted in Figure 9 as a model consisting of eight main causal variables to switching in services industries and also consequences after a switch. Several reasons or causes for switching provider could be mentioned by each customer, and 45% of the respondents referred the causes to only one factor (simple service switching), while 55% of the respondents found two or more reasons to the switch (complex service switching).

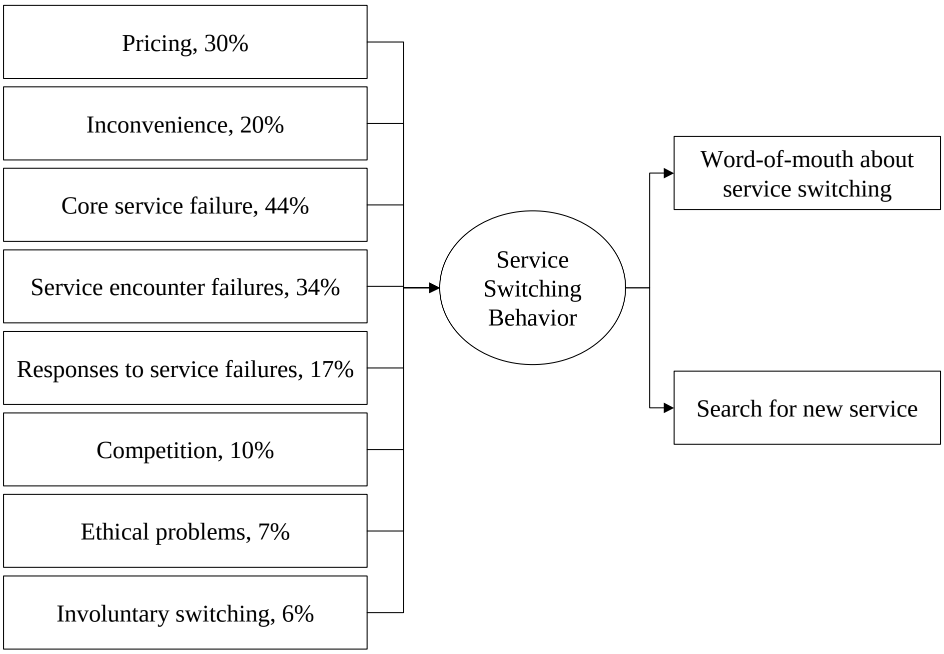


**Figure 9: A model of customers' service switching behaviour (source: Keaveney, 1995:76)**

The respondents were asked to think about the last time they switched provider and describe what took place. The most often mentioned factor was core service failure followed by service encounter failures and pricing. Referring to Roos' (1999a, b) discussion on the difference between a trigger and a switching determinant, the result must be regarded with the possibility in mind that these three issues might be the first things that come to mind when talking about the experience, and should therefore be regarded as subjective assessments of the causes. No probing of whether or not this was the actual or definite cause has here been done. Using critical incident technique might also bias results to give answers to issues that are perceived critical or different from what is normal, missing the opportunity of finding answers among reasons that are perfectly normal to the type of relationship described (Stewart, 1998a). This could also be one of the reasons why "involuntary switching" (causes that could not be affected by the customer itself) did not occur that much. It could also be discussed whether the name of the model would rather concern causes of service switching, and not emphasising it as a model of switching behaviour. If it is a model of switching behaviour, more emphasis should have been put on the process of switching and its consequences. Some behavioural consequences are mentioned, such as word-of-mouth behaviour and the search for a new service provider. But other aspects (i.e. cognitive, affective and conative) are not covered.

Bansal and Taylor (1999) build on Keaveney's (1995) work when modelling service provider switching showing that intentions have a significant effect on behaviour. Bansal and Taylor's (1999) model covers attitudinal, conative as well as behavioural aspects. They analyse the causal relations between the different constructs incorporated in the model, and do not thus look at the changes that have been taken place within each aspect. A processual perspective is in other words not taken which does not give information on the dynamism of the relationship strength.

Depending on the approach to the area of ending relationships, different issues will be possible to emphasise. An approach built on critical incidents will allow the researcher to look at abnormal triggers or reasons for exit/termination while an approach built on complaining behaviour will allow the researcher only to notice problems brought up by the customers themselves linked to a dissatisfying incident or episode.

## 3.8 Ending relationship processes

Although *drivers* of fading processes are important for the understanding of the phenomenon, they do not constitute the main focus of this dissertation. The focus remains instead on understanding the *processual character* of fading. Although switching, exit and dissolution may differ from fading, much can be revealed by also understanding these processes. Research outlining process perspectives on ending will therefore act as a background for the understanding of the fading process and will therefore be presented in this chapter discussing ending relationship processes. While most of the research has focused on understanding influencing factors or drivers on ending processes, less emphasis has been put on the process.

Dwyer, Schurr and Oh (1987) present a relationship development process built on five phases: awareness, exploration, expansion, commitment, and dissolution from a business-to-business perspective. This model is interesting since it is one of the early process models incorporating the dissolution stage. The conceptualisation of the dissolution stage relies to a large extent on influences from social psychology (e.g. Baxter, 1985). The first phase, awareness, looks at the phase when the parties of a relationship start thinking of each other as possible partners. They do not interact yet, rather consider each other, and actions taken are unilateral. Dwyer, Schurr and Oh (1987)

The next phase, exploration, takes the search and trial phases into consideration where the parties evaluate obligations, benefits, burdens and the possibilities of exchange with each other. They may also purchase from each other. This phase could be very short as well as taking a considerable amount of time depending for example on the structure of the business involved. Dwyer et al (1987) emphasises also that the exploration phase may be fragile as the small investments made in the relationship make it easy to terminate. Five sub-processes are noticed here: 1) attraction, 2) communication and bargaining 3) development and exercise of power, 4) norm development, and 5) expectation development. These five sub-processes are important aspects of the exploration phase since goal compatibility, integrity and the performance of the other party is tested and judged upon. Dwyer, Schurr and Oh (1987)

The third phase, expansion, describes how the interdependence grows stronger and how benefits from the exchanges with each other are increased. The five sub-processes in the exploration phase are also present here, and if trust and satisfaction have increased in the exploration phase, the parties are also willing to take higher risks in this phase. Dwyer, Schurr and Oh (1987)

Commitment constitutes the fourth phase where the promise of a continuous relationship between the parties stays in focus. Other partners are present, but the search for other exchange options are more or less non-existent since the satisfaction with the current partner is high. The commitment present in the relationship is built on inputs (relatively high levels of inputs), durability (stability over time) and consistency (consistency of the inputs to the relationship). The parties in the relationship invest in other words in resources to maintain the relationship. Dwyer, Schurr and Oh (1987)

Dwyer, Schurr and Oh (1987) base much of the discussion of the last phase, dissolution, on work done by Baxter (1985) in the field of social psychology admitting that theories on this phase are lacking. Dwyer et al (1987) do not incorporate the dissolution phase in a chronological order after the commitment phase, but rather regard it as an exit option at each phase of the relationship process. "That is, not every dyadic linkage of which the buyer or seller is aware enters the exploration phase, and not every relation probed and tested in exploration enters expansion or becomes soldered by commitment (Dwyer et al, 1987: 19)." Dwyer et al (1987) emphasise however that consequences have more impact on the parties if the relationship has entered the commitment phase compared to the first phases.

The process development presented by Dwyer, Schurr and Oh (1987) is not only interesting because it takes a processual approach to the relationship, but foremost because it illuminates the notion that dissolution may take place at any stage of the relationship process. This is an interesting aspect related to fading since it supports the idea that the relationships constantly may change and therefore also may be fading at different points in time, and not only towards the end of a "maturing" relationship. They do however not elaborate much on the dissolution process itself. Tähtinen (2001), also taking a business-to-business approach, examines in more detail the dissolution process itself of business relationships in tailored software business. She depicts the dissolution process of a continuous relationship (a relationship that from the beginning was intended to continue) and an episodic relationship (a relationship that was predetermined to end). Just as Dwyer, Schurr and Oh (1987) she builds on interpersonal theories on relationship dissolution (see e.g. Baxter, 1985; Duck, 1982) and develops an adjusted model of the relationship dissolution process incorporated in a model of business relationship dissolution (see Figure 10). The present nature of the relationship and type of end, influencing factors and events along with the dissolution process, has a central meaning to the model.

The present nature of the relationship describes if the relationship was predetermined to continue or not and how this ending might look like. A continuous relationship depicts a relationship where the dissolution comes unexpectedly since the relationship was supposed to continue. Terminal relationships describe relationships where the relationship is expected to continue, but where the actors would like to operate independently or with someone else, but are not able to. They would in other words like the relationship to dissolve. An episodic relationship portrays a relationship that is meant to dissolve when a task or project is fulfilled. The nature of a relationship may however change due to influencing factors and determine the type of ending. Tähtinen's (2001) model is important for the understanding of fading since it conceptualises different types of "present natures" whereas the continuous relationship touches upon a situation that approaches a fading relationship since the relationship was supposed to continue, but was terminated unexpectedly. Tähtinen (2001) bases furthermore her understanding of the dissolution process not only one party, but a network of relationships, which supports the decision to take a dyadic approach to understanding fading.

The influencing factors and events incorporate predisposing factors (factors that already exist when a company enters a relationship and makes it more prone to dissolution), precipitating events (events that bring change to the relationship and accelerate the process of dissolution) and attenuating factors (factors that moderate the effect of the causes for dissolution). The predisposing factors “seem to incline a relationship to dissolution” according to Tähtinen (2001:50). The predisposing factors are fairly static, underlying and structure-like, and can be divided into task-related, actor-related, dyad-related and network-related factors. The complexity involved with offering professional services could for example be a task-related factor influencing the relationship development. It is according to Tähtinen (2001) interesting for future studies to focus on the more exact effects of the nature of the relationship in combination with predisposing factors, precipitating events and attenuating factors and events.

The present nature of the relationship affects directly what type and how strong influential factors and events that will be present, as well as the influential factors and events influence the present nature and may determine the type of relationship ending. The present nature of the relationship also directly influences the dissolution process (and indirectly via the influencing factors and events). An episodic relationship may for example have a shorter dissolution process than a continuous relationship. The influential factors and events finally directly affect the dissolution process. If no attenuating factors and events are present there might for example be a fairly short and simple dissolution process. (Tähtinen, 2001)

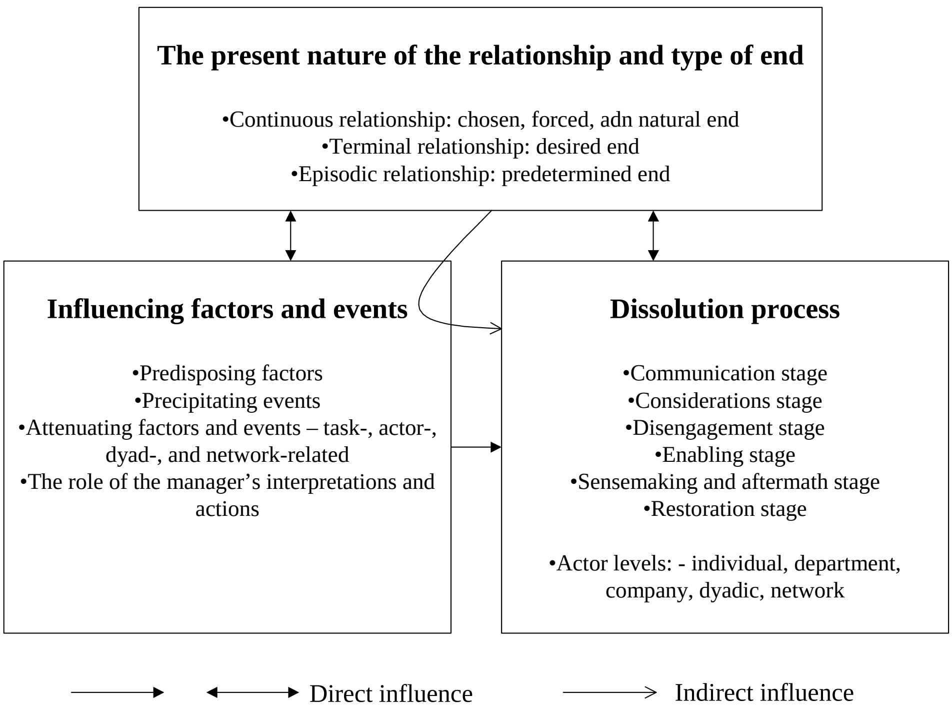


**Figure 10: An empirically-grounded process model of business relationship dissolution in software business (source: Tähtinen, 2001:228)**

The role of the managers' interpretations is crucial since the effects of the factors are always mediated via them. The dissolution process disconnects the parties' in the relationship(s) from each other by cutting activity links, resource ties, and actor bonds. The stages in the process may well occur simultaneously and there is no static order in which they appear. "Although the process is modelled in stages, this does not imply that the dissolution process always proceeds through all of the stages or that the stages have any order, rather the contrary (Tähtinen, 2001: 232)." What distinguishes them from each other is the content and function of the stages. The content of the stages decides which actor levels are active in the current stages. (Tähtinen, 2001) Tähtinen (2002) suggests an alternative model where the stages do not always follow each other. Different actor levels (individual, company, dyadic, and network level) may perform actions simultaneously which implies that different stages may take place partly at the same time.

Looking at research focusing on service relationships, Stewart (1998b) has developed a customer exit process model based on retail banking customer's exit processes presented in Figure 11.

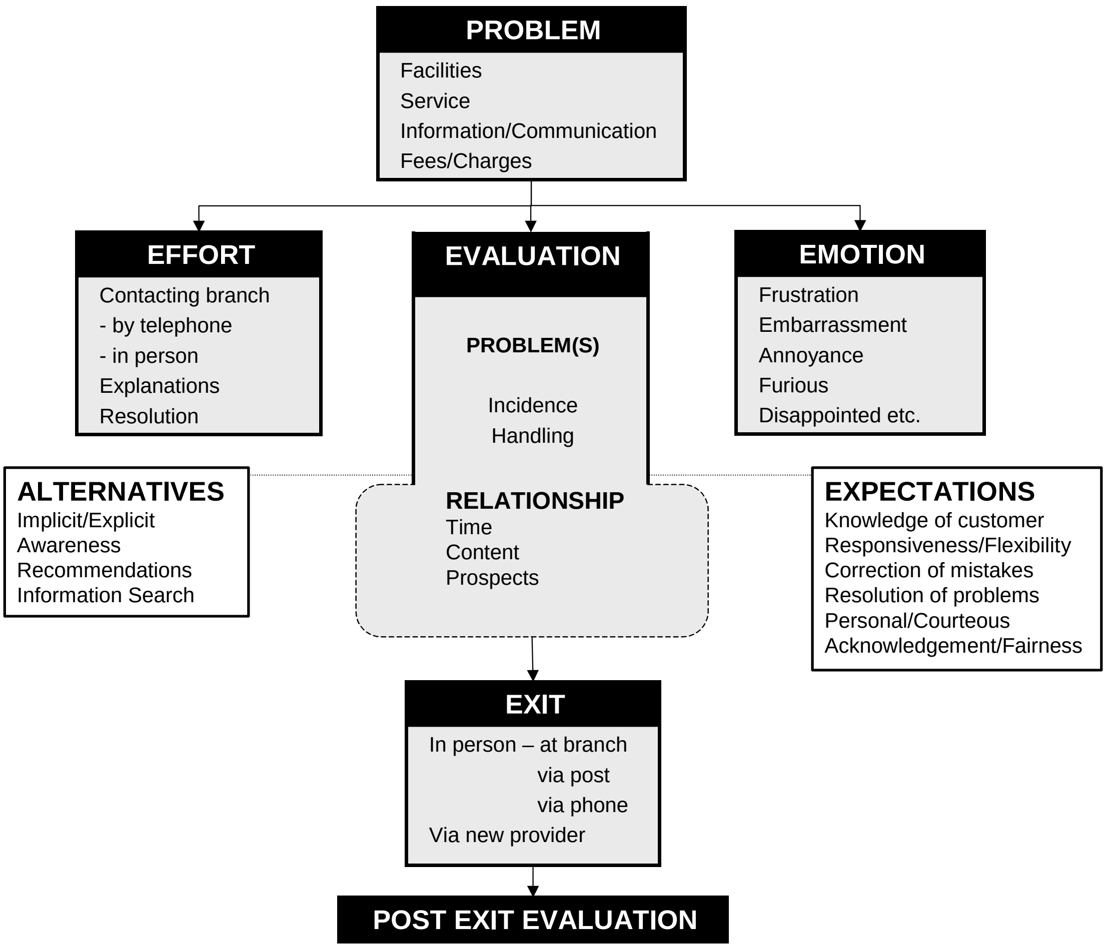


**Figure 11: Model of the exit process (source: Stewart, 1998b:9)**

This model is relevant for the understanding of fading relationship processes within private banking since Stewart's (1998b) model is developed within the financial services arena. The exit process starts with the perception of a problem leading to the customer engaging in efforts to resolve the problem experiencing emotions. The customer evaluates the problem according to the type of problem it constitutes and possible other previous problems that have occurred. The handling of the problem is also taken into consideration along with previous experiences and the overall perception of the relationship. Other available alternatives are also taken into the consideration process. The exit is then done either in person or via the new service provider. Since Stewart's (1998b) model starts with a problem perception it provides an interesting framework for understanding these types of ending processes, whereas ending processes that does not necessarily start with a problem might not be captured entirely by the same.

Roos (1999a, b) developed the catalytic switching model also focusing on service relationships based on a study made among customers in a supermarket setting. She develops her methodology founded in critical incident theory to a process model describing a switching path divided into a trigger, an initial state, a process, and an outcome (see Figure 12). It consists of various combinations of critical encounters leading to a switching decision or a decision to stay. Roos' (1999a) model is important for the understanding of fading since she takes a switching perspective (looking at the switching between different relationships) where partial switching constitutes one form of fading. The partial switching depicts the weakening of the behavioural component of relationship strength since some of the purchases are made, in this case, in a different grocery store.

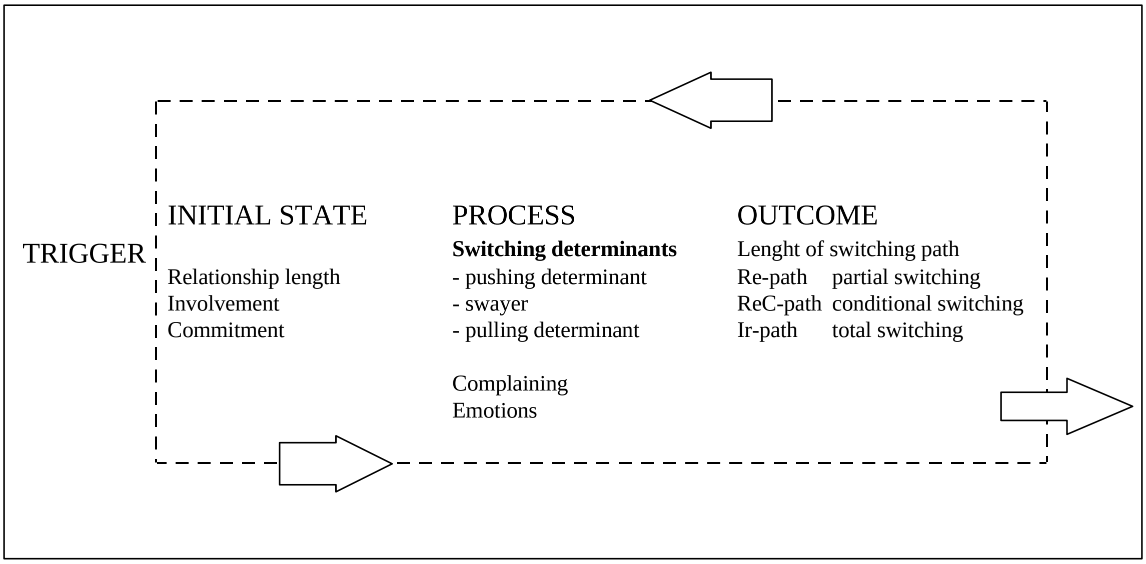


**Figure 12: The catalytic switching model (source: Roos, 1999a: 246)**

The trigger determines and gives energy to the switching path. It is the alarm clock that wakes up the customer. The trigger is however not always obvious to the customer. The customer rather perceives a switching determinant as the reason for switching, but it is actually the trigger that affects the awareness of the switching determinant. (Roos, 1999a)

The trigger can be divided into three types – the situational, influential and reactional trigger. The situational trigger may have its source outside the relationship to a company and does not necessarily have something to do with the company. It could be economic improvement or deterioration, changes in work situation etc. The influential trigger describes when conditions in the switched-to company acts as a comparison standard. If a company makes changes that are perceived unpleasant by the customer, and this is at the same times compared to a competitor's actions, then it is categorised as an influential trigger. It is company specific and increases the convenience of patronising a certain service provider. The reactional trigger is finally something that affects the customer's sensitiveness regarding something in the company, for example deterioration in the services or products sold, bad service, payment systems etc. The customer wakes up at some stage in the deterioration process and assesses the situation accordingly.

The position of the initial state and the trigger has been subject to changes during the research process on the switching model (Roos, 1999a). In the earlier models, the initial state preceded the trigger (see e.g. Roos and Strandvik, 1996), but was later revised to the order discussed in Figure 12. The initial state includes the relationship length, involvement and commitment. Different triggers may have a different effect depending on the initial state, and the initial state may affect the trigger. Exactly how the initial state and the trigger are related seems however vague: "How the trigger and the initial state are interrelated in their consequences for the path seems to remain unclear. However, they make the path proceed by means of making factors in the process part of it (Roos, 1999a: 242)." Roos (1999a) also acknowledges that the definition of the initial state is somewhat loose and that a switching path could be initiated due to factors going beyond the initial state or the trigger.

The process includes the switching determinants, which are divided into technical and functional. Situational or influential triggers activate technical switching determinants while reactional triggers normally activate functional switching determinants. The determinants appear in different configurations and affect the dynamism of a switching path. While the trigger gives the energy in the switching path, the switching determinant makes it continue. The pushing switching determinant describes what the customer perceives as the reason for switching. The swayer does not have energy in itself to cause switching, but may prolong or strengthen the switching decision. The pulling switching determinant is finally a determinant that may affect a customer to patronize a switched-from company after a switch. (Roos, 1999a)

Customers switch furthermore partially or totally, meaning that the outcome of a switching path could be categorized depending on whether or not the customers are willing to go back to the switched-from company. There are three types of outcomes: irrevocable (Ir-path), revocable (Re-path) or conditionally revocable (ReC-path). Customers that are willing to go back (Re-path or ReC-path customers) do not communicate the same issues as those that are not willing to go back. Those that are willing to go back have a lower intensity in their expressions and do not express emotions to the same extent as customer on irrevocable paths.

Coulter and Ligas' (2000) long exit model looking at service relationships presented in Figure 13 builds on three stages: the dissolution stage, the exit stage, and the post-dissolution stage. The customer experiences a negative service encounter in the dissolution stage, which triggers the breakdown phase. Since Coulter and Ligas (2000) examines long exit processes the breakdown phase may last for several months. This notion of a slow process is interesting from a fading perspective since this may be a type of fading relationship. The term breakdown has also previously been discussed as equivalent to fading, if using the definition provided by Duck (1982:2) describing breakdown as a "turbulence and disorder in a relationship that may or may not lead to dissolution." Fading could in other words constitute the breakdown trigger and the breakdown phase in Coulter and Ligas' (2000) model.

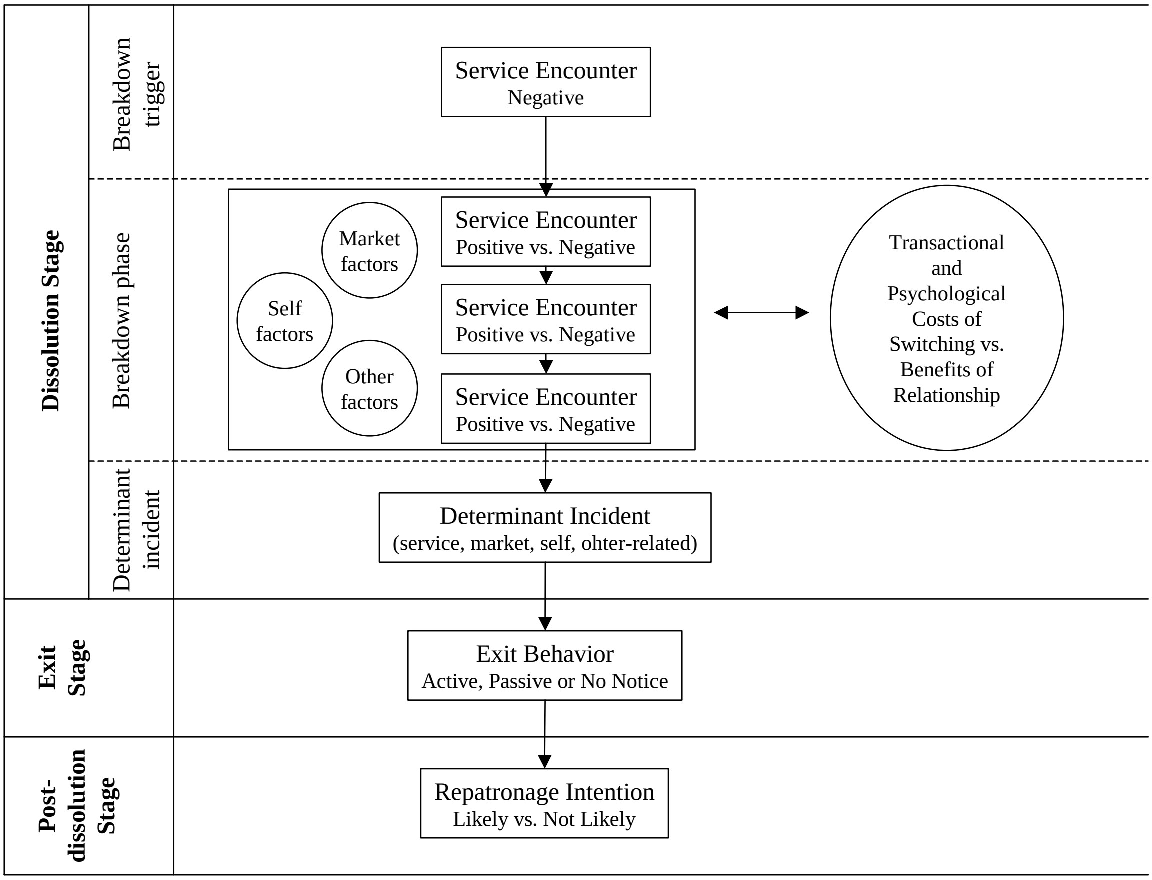


**Figure 13: The long exit (source: Coulter and Ligas, 2000:689)**

Both positive and negative service encounters take place during this breakdown phase impacted by service, market, self and other factors that influence the transactional and psychological costs of switching to another service provider. The customer finally experiences a key determinant incident, which causes the customer to terminate the relationship. The exit stage incorporates the process whereby the customer leaves the service provider, which implies that the customer communicates sources of dissatisfaction in a more active or passive way. The customer reflects on whether she would be willing to come back to the provider in the post-dissolution stage.

Stewart (1998b), Roos (1999a) as well as Coulter and Ligas (2000) take a processual perspective when looking at switching and discuss different aspects of the customer's attitudinal as well as behavioural processes. These processes are however all perceived as starting with a trigger, which may emanate from a focus on negative service encounters or critical incidents. They discuss furthermore the structure and content of the process rather than the changes themselves and their dynamism. Although Dwyer, Schurr and Oh (1987) as well as Tähtinen (2001) does not put as much focus on processes that are triggered by critical incidents or negative encounters; they do nevertheless emphasis the stage-wise development of the process to a large extent.

The focus on triggers as well as phases or stages captures probably a large proportion of ending processes. It is however believed that other types of processes also exist where there is no specific type of trigger or where stages or phases do not capture the development process. Tähtinen (2001) concludes that the present nature of the relationship has an impact on influencing factors. During the dissolution of an episodic relationship there need not be any influential events since the nature of the relationship predestines the relationship to end. Ojasalo (1999) illustrates the decrease of satisfaction capital through evaporation, a process development that probably would not be captured if focusing on stages or processes. Asplund (1967) discuss saturation where the *absence* of new stimuli rather than a critical incident directs the saturation process. Not only what takes place in the relationship but also what does *not* take place must be considered.

Focusing on relationships that have been dissolved, terminated or switched from may direct the types of processes found. Stewart (1998b) examines for example those customers that actively have terminated their main account, excluding those customers who keep "dormant accounts" (i.e. customers who have run down the account to a negligible balance and have no further transactions). It could be assumed that those customers that have actively terminated their main account may have experienced more negative critical incidents compared to those that still keep the account but do not use them. Roos (1999a) furthermore deliberately starts from the occurrence of a critical incident which implies that those processes that do not start with such a trigger or rather occurs passively are not discovered, or that all processes are forced into a framework building on the notion that all processes are triggered by something.

An explorative approach to fading where the process does not assume an active start of the process or where there are no assumptions of stages or structures underlying the process is therefore believed to be able to capture not only those types of processes described above, but also capture other types of processes where there are no distinct stages or no particular trigger starting the process. Instead of focusing on the outcome or antecedents of the process, the focus lies on the process type itself.

## 3.9 Summary – theoretical framework

Larsson (1997) mentions in an article on the outcomes of bank mergers that customers may terminate their relationships to the bank as a consequence of the merger. Mergers could consequently affect the relationship between the bank and the customer, although the issue is only indirectly linked to the customer relationship itself. This illuminates the need for not just understanding the relationship itself and the actors performing it, but also the relationship context in which it exists. A fading framework will here be presented (see Figure 14) and discussed with regard to the four aspects emphasised in the theoretical review that are believed to be important when understanding fading: the relationship dyad, the relationship process, the nature of the service, and the relationship context.

The *customer* and the *private bank* maintain a *relationship* with each other executed through the *financial advisor* where *professional financial services* are bought, which evolves through *history*, *present* time and into the *future*. The changing constituent studied for the purpose of analysing fading relationships is *relationship strength*. *Other relationships* are however also present for both the customer and the bank and is together with the *surrounding context* influencing the relationship development process.

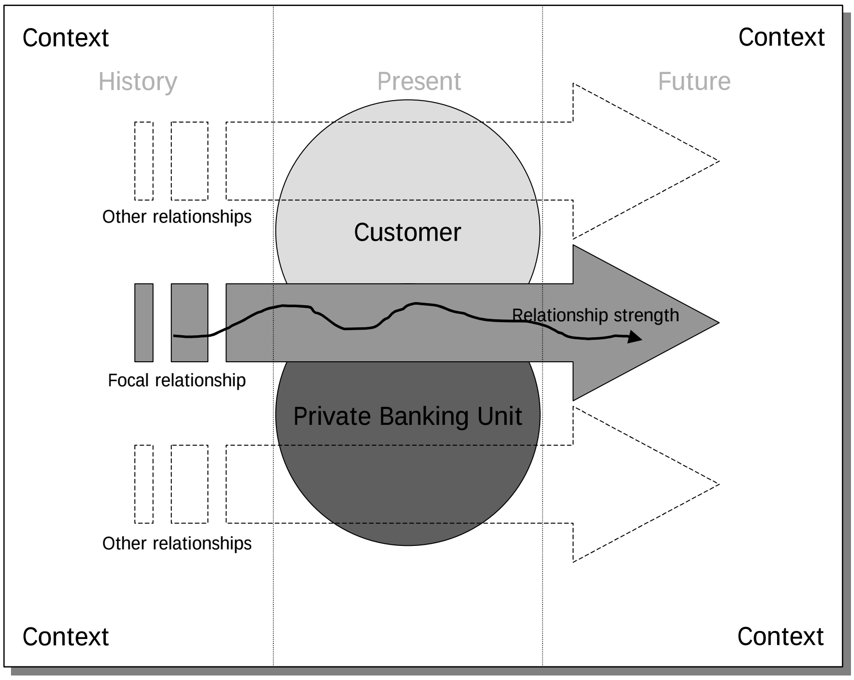


**Figure 14: Fading framework**

### *3.9.1 The relationship dyad*

To be able to better understand fading relationships, we must understand what type of relationship we are looking at, and in what context this relationship is present. The relationships described in this dissertation constitute those between an individual customer and a private banking unit in a bank group. The focus lies on the relationship between the customer and the financial advisor representing the private banking unit. A dyadic approach gives the possibility to understand how the changes in the relationship have appeared according to both parties involved. The customer is, from a relationship marketing point of view, the most central actor in the relationship dyad (Grönroos, 2002; Roos 1999a; Strandvik and Liljander, 1994). The customer's perceptions does however not always agree with the financial advisor's or the bank's perception. Possible perception differences become therefore interesting from a fading perspective. Since there are at least two persons involved in the relationship, there exist also different perceptions of what takes place during meetings, when discussing, when decisions are made etc. Differences between the customer's and the financial advisor's perceptions of the relationship may also be reflected in the development of the same and is therefore believed to be an important source of understanding a fading customer relationship process.

The relationship to a private bank is in many ways executed through the financial advisor, whose role is to coordinate the customer's investments, facilitate contacts with other actors in the bank, support the customer in investment decisions etc. The financial advisor is therefore an important actor and represents in many situations the bank in the relationship to the customer. In contrast to the customer, the financial advisor is not first and foremost representing himself, but representing the bank. This involves taking the bank into consideration when deciding how to act. He is restrained by the rules and regulations set by the role as a financial advisor, and takes not only the private banking unit into consideration in decision-making, but also the entire bank group in which the private bank is a unit.

If the customer is dissatisfied with the relationship to the financial advisor there is a risk for a relationship to fade away and possibly terminate. Replacing a financial advisor is another risk factor in the relationship to the customer. The bank's ability to attract and retain the best financial advisors on the market is in other words of large importance.

### *3.9.2 The relationship process*

Fading involves changes. In order to analyse fading, we must define *what* type of changes we are looking for. In this case the focus remains both on behavioural changes as well as changes in the mind of the people involved in the relationship. Cognitive, affective, conative and behavioural components are here believed to constitute the strength of the relationship filtered by the (relative) general impression of the relationship.

To be able to understand the changes of the constituents of relationship strength we must analyse *how* these changes appear, focusing on the dynamics of the process. Do changes take place suddenly or gradually? Are there specific stages in a dissolution process or not? Are there directive incidents (Edvardsson and Strandvik, 2002) influencing the pace or direction of the change? Holmlund (1997) classifies a business-to-business relationship to consist of acts, episodes and sequences. Acts add up to episodes, and interrelated episodes can be grouped into sequences. In the context of a private bank, a sequence may represent the presence of a certain financial advisor. Even if the financial advisor is replaced, the relationship might continue. A sequence can however be a vulnerable period in a relationship. "The evaluation may cause a potential termination of the relationship" (Holmlund and Strandvik, 1997). Understanding the points of transition in a relationship gives indications on when the relationship is more or less vulnerable.

*Why* relationships fade away is also one important question in order to understand the fading process. Drivers of the process must however be revealed through a perspective allowing a multitude of influencing factors. Focusing only on critical incidents or quality decline may lead to a situation where only one type of process is revealed.

### *3.9.3 The service*

As discussed in chapter 3.3 professional services differs from other service relationships to some extent. Looking at other types of services, the interaction and the moment of truth is often decisive for the service quality or the perceived customer value. But looking at professional services, the relationship that develops between the customer and the financial advisor is of even greater importance. The complexity of the services may furthermore influence a fading process, which also must be considered when understanding the fading phenomenon.

Looking at financial services there are some issues that are important to bring up related to fading or ending relationships. The nature of the financial services may hinder the migration on the financial markets (Konkurrensverket, 2001). These types of services are often long-term investments, heterogeneous and highly complex, making it difficult for consumers to get enough knowledge about the services in order to understand and influence their situation. It is therefore difficult to compare different service provider solutions in order to switch provider. (Konkurrensverket, 2001) Some financial products offered constitute in other words indirect bonds between the customer and the bank. The economic climate and also product characteristics may influence the situation. Funds, for example, may act as bonds in a relationship since the *total* switching to another bank would mean realising all funds related to the old bank (a customer could of course also keep the funds in the old bank, switching only partially), while the administration of e.g. a portfolio could be transferred to the other bank without the customer having to sell the stocks. Depending on the market situation, customers could be more reluctant to sell funds either to avoid a loss or to avoid instant taxation on the total profit (unlike a situation were the funds are sold at different points in time). This may induce the possibility that the customer only diminishes the behavioural components of the strength of the relationship (e.g. concentration of business/investments) to the current service provider and strengthens the relationship to another instead of completely switching to another financial service provider making fading more interesting to understand compared to termination or exit.

### *3.9.4 The context*

The theoretical review indicates the need to take a holistic approach to the fading phenomenon incorporating not only the relationship itself but also the context in which it finds itself. Dick and Basu (1994) emphasise the mediating effects of situational factors and social norms on customer attitudes. Tähtinen (2001) claims that the dissolution can be characterised as chosen, forced or natural in continuous relationships. A forced relationship is dissolved without any decision of either actor. It is rather a change or an event in the relationship context that forces the relationship to end.

The relationship context plays accordingly a central role in the fading process. The relationship context could for example incorporate the state of the economy (e.g. recessions and booms), the state of the financial industry (e.g. changes in prerequisites, legal changes, economic situation of the industry), but also such things in the customer's life situation that she cannot influence, e.g. losing a job. Competitors constitute also the relationship context, although they also may become important actors in the focal relationship since bank customers may have several relationships which are influenced by and influence each other. Another part of the context is important individuals in the customer's vicinity shaping the relationship to the bank through for example word-of-mouth, and also the social norms governing the behaviour and attitudes related to financial matters.

Both the economic recession during the last years and the situation in which the financial services industry develops have most likely had a large impact on relationships to banks in general and institutions offering investment services in particular. The economic recession has created a public debate on banks' responsibilities with regard to investment advice, and bank ethics. The emergence of a more competitive market due to the deregulation of the financial industry has for example brought about new technology based communication channels. Changes in the social welfare system (e.g. private pension funds) and economic growth prior to the recession have together with the precious changes also added up to an increased activity among customers regarding investments in general. (Marquart, 2000)

### *3.9.5 Tentative framework for understanding fading*

The above discussion on the relationship dyad, the relationship process, the nature of the service and the relationship context are believed to be important aspects for the understanding of fading and also for the understanding of different types of fading processes. The relationship context as well as the nature of the services are here believed to be vital for the understanding of the relationship background. This has been discussed in the theoretical framework through the examination of central aspects of professional services and also through understanding financial services and how these have changed during the last decade. The relationship concept has also been discussed for the purpose of understanding the building of relationships. These aspects are here conceptualised as the roots of the relationship since they create the *prerequisites* for the relationship. There may be issues in the relationship (e.g. exit barriers) relationship context (e.g. the economic climate) and the nature of the service (e.g. different types of investment products) that could make a relationship more prone towards fading.

The relationship process is furthermore important when understanding different types of fading processes examining *how* the fading process is developing. This has been examined in the theoretical framework on the basis of different ending process models and how they may be interesting for the understanding of fading. The understanding of the relationship dyad is here also believed to be interesting since two parties are influencing this relationship process through their actions. The basis for understanding weakening changes in the relationship, the relationship strength, has also been outlined. This could be conceptualised as the dynamics of the relationship process since it focuses on how the relationship may change.

There are finally issues that influence the relationship process and are important for the understanding of the reasons for a relationship to start fading. One of the keys to understanding fading customer relationships is here believed to lie in the ability to see fading processes through different perspectives, and not only use one approach to study the fading process. This has been introduced in the theoretical framework through different perspectives on ending relationship processes. These perspectives could be seen as drivers of a fading process, which also is believed to be important when understanding different types of fading processes.

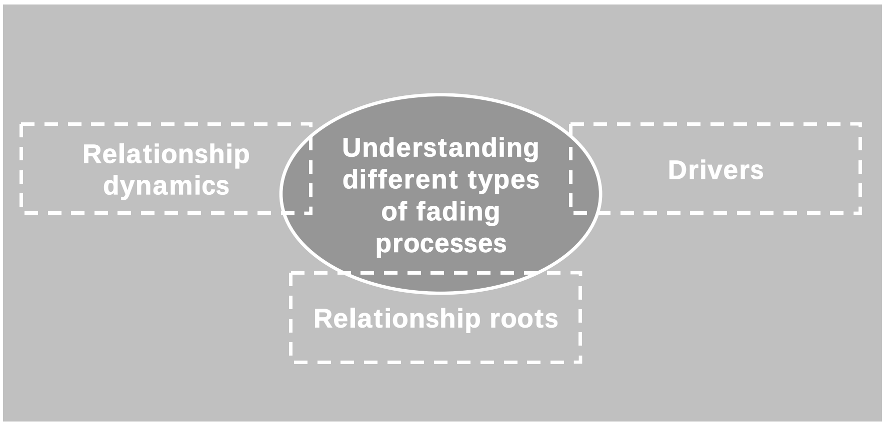


**Figure 15: Tentative framework for understanding different types of fading processes**

A tentative framework for understanding different types of fading processes is presented in Figure 15 built on relationship roots, relationship dynamics and drivers of the fading process. These concepts will constitute a basis for the presentation of the empirical results in Chapter 6 where four types of fading processes are outlined as well as discussed on the basis of the empirical results in Chapter 7.

# 4 The process of gathering empirical data

*The gathering of empirical data describes the type of empirical information that was retrieved during the process of creating a better understanding of fading relationships. Some of the results are not presented as findings in this dissertation, but have rather had an active role in building a background to the fading phenomenon. All empirical information is believed to have had an important role for the creation of the total picture, and the different roles of the studies are therefore outlined here. The chapter will present all four studies that constitute the basis for the understanding for fading. Focus remains however on the third and fourth study since they make up the basis for the presentation of the empirical results.*

A qualitative approach has guided the gathering of the empirical information where the technique dominating the qualitative approach has been interviews. Although interviews are inefficient and costly compared to for example questionnaires, they do provide the richest information per unit of time invested (Lincoln and Guba, 1982). The types of studies have differed from being unstructured to structured interviews and also include studies containing quantitative elements. There are according to Darmer (1995) five main categories of qualitative interviews: explaining interviews, in-depth interviews, goal-directed theme interviews, extended interviews, and focused interviews. These interviews could furthermore be structured differently ranging from structured to unstructured interviews (Darmer, 1995).

When trying to create a question/answer situation with the help of predetermined, concrete questions, a structured interview is conducted. The interview follows the inquiry form closely, but gives the respondent the opportunity to answer the questions without restraints and also extend the answers if desired. Semi-structured interviews are used when the interviewer uses a checklist with themes that the interview should cover. Instead of creating a question/answer situation, a dialogue between the respondent and the researcher is sought. The semi-structured interview could range from complete questions to only consisting of cues directing the dialogue. The respondent him/herself forms an unstructured interview. The interviewer should take up a listening attitude and carries through the dialogue on her conditions, following up what seems interesting during the interview. (Darmer, 1995)

The empirical data in this thesis has been gathered using different types of qualitative interview techniques. The master thesis constituted an empirical pre-understanding to the problem, where also a qualitative interview technique had been used which had provided valuable experiences with regard to the use of these types of techniques. Since the focus was rather diffuse and widespread in the beginning combined with a limited understanding of the problem area (fading relationships) and the empirical arena (financial services), the aims of the studies also differed from familiarizing oneself with the subject to being more focused on specific research questions. The different types of studies will be described in the following sub chapters.

In order to follow the description of the interviews made within the bank group and the private banking unit, and also the roles of different respondents, some concepts describing these aspects are important to understand.

**Private bank/private banking unit:** Used interchangeably referring to the unit offering private banking services.
**Corporate bank group/bank group:** The private bank here constitutes a unit in a larger bank group.
**Local branch office:** Unit in the bank group's retail network.
**Financial advisor:** Advisor working at the private banking unit.
**Contact person:** Advisor working at the local branch office with corporate relationships.
**Personal banker:** Advisor working at the local branch office with consumer relationships.

## 4.1 First study

The purpose of the thesis is to 1) define and describe fading, 2) reveal different types of fading customer relationship processes, and 3) analyse the dynamics of these processes.
Since the dissertation takes an explorative approach to understanding fading, the initial study relates to the first part of the purpose – the describing of fading. The aim was to get an introductory overview of fading and how the phenomenon could be understood in the current empirical arena. The first set of interviews therefore consisted of seven interviews conducted with employees at the corporate bank group and at the private banking unit. They were *unstructured, explaining interviews* where the main objective was to get a grip of the problem at hand and understand how the bank was dealing with problems related to fading.

Explaining interviews gives information about unfamiliar research areas or areas where the researcher only has limited knowledge. They are often conducted during the problem formulation process when looking to define the object of analysis or when generating theory in areas where present knowledge is inadequate. These types of interviews should not be too structured since the objective is to seek information that is not known to the researcher. Explaining interviews are therefore often semi-structured because the researcher normally has a vague idea about themes that should be covered in the interview. The most important factor in this type of interview is flexibility, giving the option to follow up interesting aspects arising in the interview. (Darmer, 1995) When the interviews were made it was not yet decided what unit within the bank group was supposed to be the object of interest. Looking at different types of units within the bank group therefore also helped in deciding what types of bank relationships were most suitable for studying fading customer relationships.

### *4.1.1 Selection of respondents and conduct of the interviews*

Respondents were selected through recommendations from a contact at the bank familiar with both the fading problem at hand and how different respondents could contribute to an extended understanding of the area. The respondents were also asked to suggest other employees that could give valuable input. This resulted in interviews during the spring of 2001 with one branch office manager, one business-to-business relationship manager, one market information analyst, one marketing support manager, the head of the private banking unit, the marketing manager at the private banking unit, and the head of investment banking at corporate group level.

The interviews were conducted in the form of personal meetings lasting 1-2 hours with the aim of creating a dialogue. The interviews were not recorded in order to get a more open discussion and notes were only taken to get some starting-points for the coming research process. The focus lay on ending customer relationships, specifically fading, and how these issues were handled in the private banking unit as well as the corporate bank group. Some of the interviews tended to get into areas that were not directly linked to fading, which made it difficult to incorporate the results of the interviews as empirical findings. They rather gave me an idea of what possibilities existed when it came to conducting the empirical part of the thesis and also insights into the bank's perspective on fading. The interviews also contributed to better insights into the bank's possibilities of currently dealing with fading relationships and also how the handling of fading and ending customer relationships was planned for the future.

### *4.1.2 Methodological considerations*

When making unstructured explaining interviews it is more important to ask if the right people were interviewed instead of discussing whether the right questions were asked. The questions rather emerge during the interview and were to a large extent reflections of the discussions going on and the respondent's choice of topic. Since the interviews were mainly done to get a grip of the research area at hand, it was better to get a widened mind built on ideas and inspiration than to get precise information about one issue.

The variation of the interviews is therefore interesting to discuss. The above seven respondents had quite differing backgrounds which contributed to different issues brought up on fading relationships in the interviews building the possibility to get a broadened understanding of the fading problem. The branch office manager and the business-to-business manager mainly discussed interactions with clients and how internal issues at branch office level affected the customer relationship. The market information analyst and the marketing support manager discussed how information about different types of customers were gathered and analysed. The head of the private banking unit and the marketing manager at the private banking unit emphasised how customer relationships were managed in the private banking unit, and the head of investment banking at corporate group level looked at issues from a strategic level discussing fading and ending relationships from a wider perspective.

The decision not to record these initial interviews is of course one source of uncertainty regarding the content of the interviews. Notes were however taken and the outcome of the interview is rather perceived as contributing to the pre-understanding of the problem, rather than useful for the specific understanding of a fading relationship or the fading process. Recording the interviews and transcribing them would however have given a better possibility to go back and analyse what had been said in the light of the later studies, which could have contributed to a more integrated method of analysing the total set of data gathered. This must however be looked upon from the light of the possibility that the respondents would have been more reluctant to share information and thus hamper a broader understanding of not only fading relationships, but the bank group and the private banking unit as such.

## 4.2 Second study

The second study also relates, just as the initial study, to the part of the purpose that takes the description of fading in hand. A broader understanding was however needed which demanded better insight into the thinking of other bank managers, not only the ones that were related to the bank with which the cooperation was initiated. A study aiming at getting a more varied description on how issues related to ending and fading relationships were managed (or not) in different banks was therefore carried out.

### *4.2.1 Selection of respondents and conduct of the interviews*

A list of 26 commercial banks worked as the basis for selection. Banks with only regional/local bank offices were omitted, generating 13 banks that were selected for interviews. The banks were first contacted by telephone in order to find the most suitable respondents, i.e. respondents with the best strategic knowledge of how the bank manages customer relationships. A letter describing the background and purpose of our study was sent to the respondents. The letter also stated that the respondent could choose to name another person more suitable for answering the questions. The respondents were then contacted by telephone to schedule a later telephone interview or conduct the interview right away (one interview was not conducted by phone, but instead at the bank). 12 banks agreed to participate in the study.

Respondents were people in different positions, ranging from people in marketing to members of top management. Some were very well informed and able to answer all questions, while some could not provide answers to certain questions. Unlike the first study, the interviews were very structured, lasting about 20-25 min. They could be categorized as *structured extended interviews* since they focused on getting deeper into the management and handling of fading and switching customer relationship processes in not only one bank, but a range of different banks.

Extended interviews are characterized by the need originating when analysing data, for example in a situation when an area needs further explanations. Extended interviews could in other words assume the character of the other main types depending on the issues in need of further understanding that have emerged during the analysis process. Since the extended interview relies on the needs coming from the data analysis, it is also difficult to give guidelines concerning the structure of the interviews. These types of interviews therefore vary in terms of form, content and degree of structure. (Darmer, 1995) Half of the questions consisted of yes/no questions with follow-up open-ended questions in order to explain the yes/no answer. The other half consisted of open-ended questions specifically asking about different issues related to the banks management of fading and switching customer relationship processes. The decision to make structured interviews was based on the possibility to be able to compare the results from the different banks.

### *4.2.2 Methodological considerations*

Making structured interviews hampers the possibility to create new knowledge. Since all questions are decided in advance, the option to get astray and discover new interesting areas is reduced. It is however also in structured interviews possible to follow up interesting answers with more questions that are not included in the questionnaire, but not in the same way as with unstructured interviews.

The interviews were furthermore conducted by phone. Even though it is easier to justify structured interviews by phone compared to making unstructured interviews by phone, there is always a possibility that the interviewer loses information that might have been given if the respondent had been met face-to-face. Since all of the respondents consisted of marketing managers at fairly large banks, it was however anticipated that they would have a limited amount of time to spend on this type of interview. Less time was believed to be needed for doing a phone interview compared to a meeting, which also could have helped in getting all of the marketing managers, except one, to participate in the study.

The study helped nevertheless to get a broadened understanding of how different banks worked with issues related to fading and ending. Due to the structured interviews it was also possible to compare answers to different types of questions which provided a basis for a more general understanding of the banks management of fading.

## 4.3 Third study

The two initial studies made it clear that fading must be understood from both parties involved in the focal relationship. However, it also showed that fading is a difficult phenomenon to capture. More understanding of the fading phenomenon and difficulties related to the detection of fading was at the same time needed in order to be able to define and describe fading. In order to be able to study an ongoing process the interaction between the parties had to be quite frequent and information intensive. Financial services was considered to be an area where customers interacted with the bank often enough to be able to remember and articulate what had happened as well as what was currently happening. Private banking was furthermore an industry where the relationships developed between the customers and the financial advisors were tight in the sense that each financial advisor managed a small number of customers. A pilot study was therefore conducted aiming at getting a better understanding of the empirical arena – private banking relationships – but also at understanding difficulties related to detecting fading customer relationships. Furthermore, it introduced the dyadic perspective on the fading relationships acknowledging that both parties in a relationship are needed to fully understand the fading phenomenon.

The purpose of the third study was to understand difficulties related detecting the fading of customer relationships. It did not strive to measure the fading of a relationship, but instead understand problems and situations that could influence the fading of a relationship and also examine whether financial advisors and customers agreed on these problems or situations. Negative critical incidents were therefore believed to give one interesting perspective on this area. The detection of fading relationships was studied using two different methods. Financial advisors working in the private banking unit were first of all asked to detect fading relationships and justify why these relationships were believed to be fading. Both customers and financial advisors were then asked to estimate the effect of negative critical incidents on the relationship, in an attempt to understand how the perceptions between both parties in a relationship corresponded to each other.

### *4.3.1 Background to the private banking unit and their customer relationships*

Due to an obligation to preserve secrecy it is not possible to provide detailed information about the private banking unit or the corporate bank group. The background to the private banking unit and their customers is therefore short, but however providing information that is important for the understanding of the relationships discussed in this dissertation. The private bank described in this thesis constitutes a unit in a larger corporate bank group falling under the Asset Management business area in the corporate group. The unit is one of the new entrants on the private banking market, and has doubled the number of branch offices since the start.

Customers entering the private bank are associated with a local branch office in the corporate group although all contacts normally are handled through the private banking unit. Temporary interactions with front-line employees at the local branch office could therefore of course take place. The financial advisor should however constitute the main interface between the customer and the bank co-ordinating contacts related to issues handled in the local branch office as well as other more complex legal services, tax services, succession planning etc. offered on group level. In the case of extensive trading, broker services are provided. In these situations the broker constitutes an important contact where interactions often are kept more frequently than with the financial advisor.

Private banks state certain financial conditions among their customers. The financial entry requirements differ between private banks, but are normally based on wealth and/or income. According to Maude and Molyneux (1996) it is unlikely for a private bank to be able to add value unless the customer's annual income exceeds £ 100 000. But these requirements are seldom rigid and the potential of a growing wealth may be as important as the current status of the same. The traditional requirements have been one million dollar in net realisable assets, but have been reduced and lower requirements are found in the private banking industry today. Requirements may also differ between different countries where Swiss private banks more often have higher requirements compared to for example UK (Maude and Molyneux, 1996).

The customers in the current private banking unit pay an annual fee and are required to have net realisable assets of 150 000 €, which falls below the traditional requirements found in private banking according to Maude and Molyneux (1996). The Nordic countries are however not among the countries having strong private banking traditions, making it somewhat difficult to compare the requirements with other European countries such as Switzerland, UK and Luxembourg. Within the European private banking market Scandinavia represents according to Weldon (1998) a niche market where wealth is tied up in privately owned companies with the potential of being released in coming successions.

The customers in the private banking unit normally have a multifaceted economic situation with demand for active trading, fund management, long-term pension insurances, legal advice etc. and constitute an important customer group to the bank group in which the private bank is a unit. They have either been customers in the corporate bank prior to entering the private banking unit, or come from other financial institutions. The financial advisors at the bank manage a small number of customers (normally 60-90 customers) each giving the possibility to thoroughly know and act according to the customer's needs and wants.

### *4.3.2 Negative Critical Incident Mapping*

It was decided that the pilot study would be the first step in a longitudinal study, being one of the keys to better understanding factors which influence fading relationships. The previous literature reviews in the area of ending relationships revealed a different theoretical and empirical focus when studying ending customer relationships. A critical incident approach had been used for the purpose of studying ending relationships, but the focus on the fading processes from a dyadic perspective was new.

A technique looking at negative critical incidents from a dyadic perspective was used – the Negative Critical Incident Mapping Technique. It was able to generate a map of possible general negative critical incidents that could be assessed by both parties in the relationship, rendering the possibility to compare those assessments. The pilot study was conducted in the private banking unit since each financial advisor at the bank managed a small number of customers, assuming that they ought to know each customer quite well, a prerequisite for the dyadic approach.

The structure of Negative Critical Incident Mapping (NCIM) was developed by Holmlund and Strandvik (1999; 2000) in a business-to-business context but could be traced back to Friman and Strandvik (1998) where it is discussed in a business-to-consumer perspective extending ideas proposed by Stauss (1993) into a customer relationship perspective. The technique represents an instrument that allows the researcher to understand not only if there are differences between two parties' perceptions, but also what kind of differences that may exist in the perceptions of critical incidents in a relationship dyad. In combination with both parties' perceptions of the relationship development it constitutes an interesting technique for the current purpose.

The key feature of NCIM is the mapping of perceptions of critical incidents through the assessment of three different aspects – importance, frequency, and recency. Importance concerns how negative impact a critical incident has on a relationship. Frequency emphasises how often the critical incident is perceived to take place, and recency relates to the last time the problem occurred. Both parties in a relationship dyad evaluate the critical incidents giving the possibility to study differences or coherences on a relationship level. The NCIM technique consists of two phases: first a qualitative phase followed by a quantitative phase (Holmlund and Strandvik, 2000).

### *4.3.3 Phase 1 – the qualitative study*

The first phase of the study was conducted through nine interviews (lasting about 45 minutes up to one hour) with financial advisors at the bank as well as customers in order to generate a list of possible negative critical incidents. Respondents were selected on the basis of willingness to discuss the relationship between the customer and the private bank. The more discussions with the respondent the better. Making financial advisors discuss the relationship was not difficult; the problem lay rather in the fact that customers were not always as willing to let themselves be interviewed. To solve this problem the financial advisor got to appoint one customer each with whom they had good contact and who they thought were willing to discuss their relationship to the private bank. One financial advisor failed to find a customer suitable for the interview, resulting in five interviews with financial advisors and four interviews with customers.

The interviews were mostly carried out by telephone (one interview at a respondent's office). The interviews made would best be described as *semi-structured goal-directed theme interviews*. Goal-directed theme interviews are meant to give information about a decided topic where specific questions are asked. They could be used as a complement to quantitative studies where the objective is to get a deeper understanding of issues that are not easily incorporated in a questionnaire but still important in order to get a more complete analysis of the problem at hand. This type of interview is best suited for structured interviews, if the researcher has a vision of what she needs to know and has the knowledge to create concrete questions on the basis of this. Semi-structured and unstructured interviews could also be used since the researcher has a clear image of the area to be covered and could therefore also conduct a more profound dialogue concerning the specific subject at hand. (Darmer, 1995) The overall themes consisted of the different phases of a relationship process where loosely followed questions directed the interview towards finding critical moments, incidents, episodes, situations in the different relationship phases.

The interviews were taped and transcribed word for word in order to better have the possibility to compare and analyse the information retrieved. A total of about 250 critical situations and events were found expressing incidents coming from the interviews, incidents found in literature (e.g. Olsen, 1992), and incidents coming from discussions with the bank. Since each incident often referred to a very specific situation or relationship, the incidents were categorised.

After the categorisation, it was decided to use a total list of 39 critical incidents in the second phase of the study. The list was discussed with the marketing manager at the bank in order to get a better validity and resemblance to the type of situations and events found in private banking relationships.

### *4.3.4 Phase 2 – the quantitative study*

A questionnaire was created based on the 39 negative critical incidents. The critical incidents were divided into four groups related to 1) the relationship with the financial advisor and the bank, 2) performance, 3) customer care and services, and finally incidents related to 4) contact and information. Every critical incident was formulated so that it could be assessed according to frequency and importance. Customers and financial advisors were in other words asked to estimate how important the negative critical incident was for the relationship (“Very negative”, “Negative”, “Negative to some extent”, “No effect” or “Don’t know”) and how often it happened (“Often”, “Sometimes”, “Seldom”, “Occasionally”, “Never”). A recency parameter was not included in the questionnaire. It was believed that the recency parameter would complicate the questionnaire more than it would contribute to the understanding. Since the questionnaire was about to be sent both to customers and financial advisors, two versions of the same questionnaire was created. The questionnaire addressing the customer was formulated in terms of “You experience…” while the questionnaire addressing the financial advisor said “The customer experiences…”.

In the questionnaire addressing the customers, additional questions were added asking the customer about the present state of the relationship as well as the relationship history. Since behavioural data (e.g. volume, interaction frequencies, communication channel modes etc.) alone is not believed to capture fading, the concept had to be operationalised in a different manner. Fading was in this pilot study formulated as a subjective estimate (Berscheid et al, 1989; Barnes, 1997) where the respondents gave a self-assessment of a general impression of the relationship. Not all customers perceive a relationship to exist to the bank, and different options were therefore used. The present state could be described as “no relationship”, “very weak”, “weak”, “strong” and “very strong”, whereas the relationship history could be described as “have had no relationship”, “have become weaker”, “have been going up and down”, “no change”, and “have become stronger”. The use of these types of options of course do not capture a rich description of the relationship, but are believed to be able to capture a notion expressed by the customer, reflecting a general perception of the present state and development of the relationship (see Appendix A).

36 financial advisors participating in the private bank’s internal education program were chosen to participate in the study. This was estimated to result in 72 relationships, corresponding to 144 assessments since each financial advisor was asked to choose two customer relationships they considered fading. Out of the 36 financial advisors that were chosen for the study 33 agreed to participate and 15 of them managed to find fading customers. Eight financial advisors succeeded to find two fading customers and seven found one fading customer. The total number of relationships therefore amounted to 23 resulting in a total of 46 assessments since the assessments were matched for each relationship dyad. The financial advisors were asked to fill out the critical incident questionnaire with a particular customer relationship in mind that they perceived as fading (i.e. one questionnaire was filled out for each customer). In order to avoid misunderstandings, the concept of fading was discussed prior to the study in a special seminar session as well as it had been explained to each and every financial advisor.

Customers that agreed to participate in the study were contacted by telephone. Material was then sent to the customer including the questionnaire containing initial questions and the list of the 39 negative critical incidents (see Appendix B), a letter describing the purpose of the study and a guide explaining how to fill out the questionnaire. The customers were contacted a couple of days later in order to answer possible questions. They also got the opportunity to answer the questionnaire by phone instead of sending it back by mail. All customers that agreed to participate returned the questionnaire.

### *4.3.5 Methodological considerations*

The financial sector is restricted by laws and regulations. In order for a customer to find confidence enough to let the bank take part in her financial situation, it is important to reassure this customer that a person or organization will not have access to information without specific permission (e.g. permission from the customer or exceptions in the Official Secrets Act). The bank has an obligation not to give information about any customer, in words or orally, to any person or organization who is not directly related to the customer at hand according to specific regulations. There are also restrictions about the kind of information possible to share with other employees at a bank; only information that is important for the other employees in order to perform their duty is allowed to be shared. Professional secrecy must finally also be kept even though the customer or the employee has terminated the relationship with the bank. The bank must have permission in order to register so-called sensitive information (e.g. information on crimes, penalties etc) and also in order to register information coming from other registers. Information containing judgements or other estimates also required permission. The primary principle allows dealing with information on individuals only if the person, after taking part in the information, agrees on doing so.

The rules and regulations surrounding financial services in general and customer information in particular, in other words, cause access problems. The bank is not allowed to continue using information on customers that terminate their relationship to the bank (unless there is a need to do for example corrections or other types of investigations concerning former business transactions) and there are strict rules governing the information on current customers. On top of this, private banking customers are perceived by the bank as one of the most important customer groups, leading to reluctance towards “disturbing elements”, such as researchers wanting to conduct interviews. Despite agreements on information access, this made it difficult to actually get in contact with the private banking customers. If contact was made, it always had to be taken via the financial advisor (if the customer hadn’t given her permission, e.g. in follow-up contacts).

A solution to this problem would be to abandon the co-operation with the bank and conduct a telephone survey using a taxpayer’s directory, asking the customers whether they use private banking services or not and start the interview from there. Wealth is however sensitive, and the probability of reaching customers willing to talk about their wealth (knowing that the information about them was retrieved from the taxpayers directory) may have been low. There is also a problem related to the information retrieved from the taxpayers’ directory, looking at the distinction between realisable and non-realisable assets. The most obvious problem with taking such an approach is the dyadic perspective. There would have been considerable trouble related to getting in touch with the bank the customer used, and make an interview with the financial advisor about the customer. First of all, secrecy must be regarded in all interviews demanding a contract with each bank. Secondly, the customer would probably have felt awkward talking about fading knowing that it more or less would be revealed when contacting the bank for an interview regarding fading customer relationships.

The access problems directed methodological considerations in the NCIM study quite strongly. All contacts with customers had to be organized via the financial advisor, and present customers were preferably not to be disturbed with interviews. Making interviews with employees at the bank was however not a problem. The better information access channels to employees, along with the conviction that both parties in a relationship are needed in order to fully understand fading, made it easy to decide on continuing the co-operation with the bank in order to be able to present a dyadic approach to the phenomenon to be studied.

Looking at the NCIM technique itself, it renders possibilities to observe patterns in issues affecting a relationship, through the quantifying of typical negative critical incidents. It combines the assessments made by two parties in a relationship, giving possibilities to compare findings on a relationship dyad level as well as an aggregate level. Furthermore the information retrieved from a NCIM study allows not only specific relationships to be analysed, but also the possibilities of calculating aggregate indices. This makes it an interesting technique, but it has of course also weaknesses.

According to Holmlund and Strandvik (1999) “A critical incident is, first of all, not considered to be an objective issue but instead it is regarded in terms of how it is perceived by involved individuals”. Is it then possible to “translate” the negative critical incidents perceived in one relationship to another? There are problems with using standardised results of multi-attribute measurements (Stauss and Weinlich, 1997). There are however probably some issues that most customers would call critical in the sense that they deviate from what is normal. This instrument however does not succeed in being able to capture one single customer’s subjective perceptions of a phenomenon; when looking for such knowledge other instruments should be used. The strength lies rather in the ability to capture patterns of a multitude of incidents that may influence a relationship and compare these perceptions with the other actor in the relationship dyad.

There is also a risk that the negative critical incidents become too hypothetical in the current mapping. This is nevertheless traceable in the frequency measurement. Low frequency estimates indicate that the critical incident is not applicable to the current relationship. The qualitative phase of the methodology therefore becomes important. It establishes the validity of the study for a specific relationship situation, not just a relationship in general. A balance between details and generalizations directs how to describe a negative critical incident. It must be general enough in order for most customers to recognize the situation, but at the same time as detailed as possible to make the customers able to distinguish the incidents from each other.

The Negative Critical Incident Mapping is moreover not oriented towards understanding processes (Stauss and Weinlich, 1997); it captures static descriptions of negative critical incidents. The purpose of using the Negative Critical Incident Mapping technique was however not to understand process development, but instead to understand the difficulties involved with detecting fading customer relationships.

Customers and financial advisors were asked to estimate the private bank’s total percentage of the customers’ assets under management. The estimates of assets under management given by both customers and financial advisors give a picture of both parties’ perceptions in broad outlines. This should however not be considered a precise reflection of exact percentages of assets under management. The purpose is not to scrutinise each dyad assessment, but instead give an overall picture possibly indicating the difficulties in obtaining enough information even about the most important aspects of the relationship at hand. In order to give a more precise picture, it would have been more accurate to ask the customer to state exact sums. This information is however believed to be very sensitive and would most probably have lowered the willingness among customers to participate in the study. Customers and financial advisors may furthermore have had different perceptions of the term “total” assets under management.

## 4.4 Fourth study

The negative critical incident mapping study gave an understanding of the problems involved with detecting fading relationships. The first and second study also contributed to the definition and description of fading which now made it possible to concentrate on the second part of the purpose - 2) reveal different types of fading customer relationship processes, and 3) analyse the dynamics of these processes. The negative critical incident mapping did not contribute much to the understanding of fading from a *process* perspective, and a follow-up study was therefore planned with a focus on the processual aspects of fading relationships. Since there were problems related to the detection of fading relationships it was decided that the best way of getting information from customers that actually perceived their relationship to be fading was to continue gathering information from the relationships that had been identified in the NCIM study as fading. This last study, forming the core empirical study in this dissertation, was therefore made following one group of customers and financial advisors participating in the NCIM pilot study, but also including a new group of customers and financial advisors – customers that had terminated their relationship to the private banking unit and gone back to using a local branch office within the bank group.

### *4.4.1 Selection of respondents*

About one year after the negative critical incident mapping (NCIM) study, a follow-up study was carried out. Customers perceiving themselves as having a fading relationship (the relationship had become weaker) or having a fairly weak, very weak, or no relationship according to the questionnaire, were contacted for the first time immediately after the completion of the NCIM study. They were asked if they would be interested in describing their relationship in a more discussion-like interview in a couple of months. They were then contacted again after one year to conduct the interview itself. An explanation to the follow-up phase was given and they were asked to confirm that they were still interested in participating in the qualitative interviews. All but one customer was still interested in participating in the follow-up study. The other customers participating in the negative critical incident mapping study were also contacted in order to see if there had been any changes in their perception of the relationship to the bank. One customer had left the bank and was therefore also asked to participate in the study. Two customers stated that the relationship had not changed, and eight customers could not be reached.

12 customers participated therefore in the NCIM follow-up study where their financial advisors also were interviewed, deriving in 24 interviews. Two of the customers were

related to the same financial advisor, meaning that one financial advisor was interviewed regarding two different customers.

A second group of customers (and their respective financial advisor) were also incorporated into the main study. This group consisted of customers that had been using the private banking services for a while, but decided to go back to using the services offered at the local branch offices. Interviewing customers that completely had stopped using the bank group (not only the private banking unit) would also have been interesting, but due to legal restrictions the bank is not allowed to use information on terminated customers. In order to avoid a situation where the net realisable assets was the only main reason for ending the relationship to the private banking unit, customers with assets above the private banking limit at the time of the relationship termination were selected. 21 customers that had left the private banking unit and returned to a local branch office during the last six months were contacted. Eight of these customers were not interested in participating in the study and four could not be reached. The second group of customers thus resulted in nine interviews with customers, making a total of 18 interviews including both customers and financial advisors. The total number of interviews coming from both groups (NCIM follow-up and customers that had terminated their relationship to the private banking unit) amounted to 42.

The selection of respondents will of course influence the results obtained from the interviews. Since the financial advisors selected the fading customers in the first group, there is also a risk that the selection was biased towards customers that did not put the financial advisor in an unfavourable light. This may also have been one of the reasons why financial advisors in some cases failed to find fading customers in the pilot study (see chapter 5). The second group of customers were therefore selected without the intervention of the financial advisors. Since the purpose of the dissertation does not focus on dissatisfied or difficult customers and there is furthermore no assumption of generalisations behind the selection of the respondents, it is however not believed that this possible bias has deteriorated the results of the interviews. “Difficult” and dissatisfied customers have been found in the group picked out by financial advisors as well as the group selected on the basis of termination. Not focusing solely on finding the most dissatisfied customers has furthermore made it possible to understand different types of fading processes where the fading is not necessarily based on dissatisfaction.

### *4.4.2 Interview outline*

The interviews could best be described as *semi structured goal-directed theme interviews*. The questions focussed on the relationship and how it had developed with emphasis on the fading process. Most of the questions were open-ended with the exception of a few questions asking the respondent to rate different issues on a seven point Likert scale. The purpose of using the Likert scale was to make the respondents think about the issue at hand and justify their rating with a following discussion on the subject. The questions were in other words open to create discussion and were not always followed depending on the interview situation. Follow-up questions were sometimes added if interesting issues emerged. This makes it difficult to clearly draw the line between structured and semi-structured questions. Darmer (1995) mentions that semi-structured interviews could consist of complete questions looking at different subjects with follow-up questions depending on the respondent’s answer, but states on the other hand that structured interviews also gives the interviewer the possibility to abandon the structure of the questionnaire and focus on specific issues if needed. Since there were quite many follow-up questions clarifying what the customer meant in different situations or discussing various things that came up, it is however here believed that the interviews could be categorized as semi-structured rather than structured.

Forty-two (42) interviews were made (38 respondents since some financial advisors were interviewed two or three times) looking at twenty-one (21) relationship dyads. The customer interviews tended to be longer than the interviews with the financial advisors. Customer interviews ranged from 20-60 minutes (on average 41 minutes) whereas interviews with financial advisors lasted for 20-45 minutes (on average 36 minutes). Looking at Table 1, Group 1 and Group 2 signifies whether the customer belongs to the NCIM follow-up study (Group 1) or the group of customers that had terminated the relationship to the private banking unit (Group 2).

**Table 1: Interviews made with financial advisors and customers**

| Date | Financial advisor | Time | Date | Customer | Time |
|---|---|---|---|---|---|
| 03-04-2003 | 1 | 25 min | 04-03-2003 | 1(Group 1) | 40 min |
| 09-04-2003 | 2 | 20 min | 03-03-2003 | 2 (Group 1) | 30 min |
| 09-04-2003 | | 20 min | 25-02-2003 | 3 (Group 1) | 50 min |
| 07-07-2003 | | 25 min | 25-06-2003 | 4 (Group 2) | 30 min |
| 27-03-2003 | 3 | 25 min | 10-04-2003 | 5 (Group 1) | 25 min |
| 27-03-2003 | 4 | 40 min | 21-03-2003 | 6 (Group 1) | 30 min |
| 28-03-2003 | 5 | 45 min | 04-03-2003 | 7 (Group 1) | 40 min |
| 24-07-2003 | | 30 min | 18-06-2003 | 8 (Group 2) | 40 min |
| 25-03-2003 | 6 | 25 min | 04-03-2003 | 9 (Group 1) | 60 min |
| 31-03-2003 | 7 | 40 min | 26-02-2003 | 10 (Group 1) | 40 min |
| 03-04-2003 | 8 | 30 min | 18-02-2003 | 11 (Group 1) | 35 min |
| 20-05-2003 | 9 | 25 min | 11-04-2003 | 12 (Group 1) | 35 min |
| 21-05-2003 | 10 | 25 min | 08-04-2003 | 13 (Group 1) | 55 min |
| 26-03-2003 | 11 | 25 min | 27-02-2003 | 14 (Group 1) | 45 min |
| 02-10-2003 | 12 | 35 min | 23-06-2003 | 15 (Group 2) | 60 min |
| 02-10-2003 | | 25 min | 18-06-2003 | 16 (Group 2) | 40 min |
| 04-07-2003 | 13 | 35 min | 19-06-2003 | 17 (Group 2) | 60 min |
| 07-07-2003 | 14 | 30 min | 23-06-2003 | 18 (Group 2) | 35 min |
| 16-07-2003 | 15 | 30 min | 09-07-2003 | 19 (Group 2) | 50 min |
| 29-07-2003 | 16 | 30 min | 15-07-2003 | 20 (Group 2) | 35 min |
| 18-08-2003 | 17 | 25 min | 25-07-2003 | 21 (Group 2) | 20 min |
| | **Totalt** | **10h 10min** | | | **14h 10 min** |

### *4.4.3 Questions asked to customers and financial advisors*

This chapter will discuss how the questions asked during the interviews with financial advisors and customers relate to the theoretical framework, i.e. how the processual character of fading has been captured and also how the relationship strength concept has been operationalised during the semi-structured interviews.

The processual character of the relationship development has been captured through systematically leading the respondent from the very beginning of the relationship between the customer and the private banking unit to the present state/final state of the relationship. Changes in the relationship and how these changes have appeared have particularly been emphasised.

- *Initial state - customers*

Both Roos (1999a) and Tähtinen (2001; 2002) emphasises the understanding of the relationship background through their conceptualisations of the initial state (Roos, 1999a) and present state and predisposing factors (Tähtinen, 2001; 2002). This is also indirectly introduced in Dwyer, Schurr and Oh (1987) through the awareness stage, but not as explicitly as in Roos (1999a) and Tähtinen (2000; 2002). Stewart (1998b) and Coulter and Ligas (2000) do however not emphasis the relationship background in their process models. The understanding of the relationship background seemed however very important for the understanding of relationship strength since the conceptualisation of the general impression of the relationship takes the relationship history into account. The relationship history has also been emphasised by Storbacka (1994) linked to the relationship strength concept.

In order to get an understanding of the relationship background, questions were asked about reasons for entering the private banking relationship, what the initiation of the relationship looked like and the previous bank relationship(-s). Questions were expressed differently depending on the situation and answers coming from the customers, but were normally formulated as below. Follow-up questions of varying character were also asked related to these main questions or to other aspects brought up in the customer's answer.

- When did you become a customer in the private banking unit?
- What did the process of entering the private banking unit look like?
- Have you been using the same financial advisor during your time as a customer in the private banking unit?
- What was the reason for entering the private banking unit?
- Do you think the advisor understood why you became a customer in the private banking unit?
- Did you consider other banks as well before entering the private banking?
- What bank/unit did you use before entering the private banking unit?
- Were there any reasons for leaving this particular bank/unit?
- Did you concentrate all investments or interactions to the private banking unit?

- *Initial state – financial advisors*

Almost the same types of questions were asked to the financial advisors, with the exception of some differences. The questions also varied, but normally looked as below. Follow-up questions were also added here related to the main questions or as new questions related to the answers given by the respondents.

- When did NN become customer in the private banking unit?
- Where you the first advisor in private banking?
- What did the process of entering the private banking unit look like?

- Why do you think NN entered the private banking unit?
- How did you perceive NN, what type of customer would you describe him/her as?

- *Expectations - customers*

Parasuraman et al (1985) emphasise expectations as important for the understanding of quality. Even though the research on quality and its implications for loyalty has been questioned (e.g. Stewart, 1998a), expectations are still interesting in order to understand the development process of a relationship. Analysing quality dynamics in professional services, Ojasalo (1999) suggests that fuzzy expectations may be a major reason for customer switching, and maybe also for continuous switching. Ojasalo (1999) also identified implicit – explicit and realistic – unrealistic expectations as important. Looking at expectations seemed therefore interesting.

The questions relating to expectations are presented below. They were however also followed up with further questions if interesting aspects came up. Customers often started discussing how the relationship had developed after talking about the expectations, which sometimes led to questions going further into these issues.

- Did you have a clear idea of what to expect from the private banking unit?
- What type of expectations did you have?
- Do you think the financial advisor understood these expectations?

- *Expectations – financial advisors*

Financial advisors should have a conception of expectations since an in-depth discussion is made with each customer before entering the private bank looking at, among other things, expectations. The questions to the financial advisors looked about the same, but focused instead on how the financial advisor perceived the customer's expectations or absence of expectations.

- Do you think NN had a clear idea of what to expect from the private banking unit?
- What type of expectations do you think he/she had?
- Do you think that the private banking unit managed to fulfil these expectations?

- *Components of relationship strength – customers*

Relationship strength is to many people a fairly vague and difficult concept to discuss. At the same time as the perception of the concept was searched for, discussion on the concept itself seemed important for the understanding of the phenomenon. When the word "relationship" was used, it was not defined by the interviewer, but instead left open for the respondent to interpret (Gwinner et al, 1998). Follow-up questions were therefore posed when the customer talked about relationships. Except for these follow-up questions, two types of questions were used: one type asking about the overall general impression of the relationship and another set of questions looking at the components of relationship strength.

Instead of asking about the relationship strength as an open question, customers and financial advisors were asked to rate certain issues on a seven-point Likert scale. It was emphasised that the rating only was a guideline for a further discussion on the subject. The respondents were asked to justify the rating afterwards and a discussion on the concept was opened that way. In some cases the customer started discussing aspects related to the question at hand right away, whereas some customers did not say much unless asked further questions. Discussing the relationship strength was done according to different points in time. A subjective customer assessment (Barnes, 1997; Berscheid and Snyder, 1989) was used where respondents were asked to rate and justify the general impression of the relationship according to the seven-point Likert scale ranging from very weak to very strong (Gwinner et al, 1998). The components of relationship strength were also discussed in the same manner. The customers assessed the general impression as well as the relationship strength components as they perceived them during the initial phase of the relationship and also how they perceived them at the time of the interview (in case they still were customers in the private bank). The questions asked were formulated in general as the following:

Behavioural aspects - activity
- If you would estimate your own activity /in the beginning/in the end/ of the relationship to the private banking unit, if one would signify completely passive and seven very active, how would you grade yourself?
- Why do you estimate your activity to be x?
- What do you put into the concept “activity”?
- How often did you interact with each other?
- If you were to estimate the financial advisor’s activity in the beginning/in the end of the relationship to the private banking unit, if one signified completely passive and seven very active, how would you grade him/her?
- Why do you estimate the financial advisor’s activity to be x?

Affective aspects – emotions
- Would you say that feelings are involved in a relationship to a bank?
- If you were to estimate your feelings /in the beginning/in the end/ of the relationship to the private banking unit, if one signified very negative feelings, four would be neutral and seven very positive feelings, where would you grade yourself?
- Why do you estimate your feelings to be x?
- What type of feelings came up?

Cognitive aspects
- Leaving feelings aside, how did you perceive the bank’s abilities, performance, knowledge, competence etc. /in the beginning/in the end/ of the relationship to the private banking unit. If one signified very negative perceptions, four would be neutral and seven very positive perceptions, where would you grade yourself?
- How do you justify this estimate?
- What type of thoughts came up?

Conative aspects
- How were your intentions for the future at that moment?
- What were your intentions for the future /in the beginning/in the end/ of the relationship to the private banking unit. If one signified that you had the

intentions to switch bank as soon as possible and seven would mean that you had the intentions to stay forever, where would you grade yourself?
- How do you justify this estimate?
- Was there anything that could have stopped you from switching at that moment if you would have liked to do so?

General impression of the relationship
- If you were to give a general impression of the relationship /in the beginning/ last spring (asked to the customers in the NCIM follow-up group)/in the end/ of the relationship to the private banking unit, if one signified a very weak relationship and seven a very strong relationship. How would you grade the relationship?
- Why do you grade the relationship to be x at that point in time?
- What do you mean when we discuss that a relationship could be strong or weak?

• *Component of relationship strength – financial advisors*

Since the financial advisors would have had problems answering how they believed that the customer felt or the cognitive or conative aspects of the relationship, they were only asked about the customer behaviour. It could of course have been interesting to ask the financial advisors how they thought the customer felt etc. but would probably have been understood as very hypothetical questions that would have been hard to answer. One could also argue that it would have been interesting to know the financial advisor's feelings, conations and cognitive perception of the relationship, but since the focus lay on the customer's expression of the different aspects of relationship strength, it was not included. The financial advisors were therefore asked questions as formulated below.

Behavioural aspects - activity
- If you were to estimate the customer's activity /in the beginning/in the end/ of the relationship to the private banking unit, if one signified completely passive and seven very active, how would you grade him/her?
- Why do you estimate the customer's activity to be x?
- What do you put into the concept "activity"?
- How often did you interact with each other?
- If you were to estimate your own activity in the beginning/in the end of the relationship to the private banking unit, if one signified completely passive and seven very active, how would you grade yourself?
- Why do you estimate your activity to be x?

• *The fading process*

Since most of the literature in the field of ending relationships has focused on antecedents or drivers of ending relationships, it was important to capture the processual aspects of, in this case, fading. Dwyer, Schurr and Oh (1987) discusses for example that dissolution may take place at different points in time indicating that relationships could vary in strength throughout the whole relationship development and not only when a relationship has matured. Roos (1999a) emphasises partial switching which could mean different levels of relationship strength throughout a relationship development process. Coulter and Ligas (2000) describes the breakdown phase which could happen during a long period of time indicating that the relationship evolves and changes during this time frame. In order to try to capture not only what took place in the relationship, but also what happened in the mind of the customer, the questions asking about the fading process were asked trying to capture the motion and change that took place in the relationship, both from the customer's and the financial advisor's perspective.

The questions asked to outline the fading process differed between the two groups of customers. Since the customers in the NCIM study had previously stated that the relationship had been fading, the questions were formulated to discuss this notion. In the case of the customers that had terminated their relationship to the private banking unit, it was harder to ask about a fading process, since it wasn't sure that the customers actually had perceived the relationship to be fading. Questions were therefore formulated differently to some extent.

- *The fading process – NCIM customers*
- If looking back at the questionnaire sent to you about a year ago. At that point in time you stated that the relationship had …, could you describe why you had this feeling last spring?
- Were there issues last spring that stopped you from switching bank if you would have wanted to?
- When did you experience for the first time that the relationship to the private banking unit had weakened?
- Why at that point in time?
- Where there anything in the relationship background that could have influenced this process?
- Did you perceive a triggering moment or factor?
- Were there any particular incidents or situations that you perceived as particular negative /particular positive happening during the relationship?
- Do you consider that you found yourself in any type of situation in life, work or something else that could have influenced the relationship to the private banking unit?
- If you were to describe the course of events when the relationship weakened, how would you describe it?
- Do you perceive the process as slow or fast?
- Were there any changes looking at your feelings/perceptions/behaviour/future intentions/ during this process?
- Do you think that the private banking unit noticed the weakening relationship?
- Did they do anything to help the situation?
- Could they have done anything to avoid the situation?
- How would you have wished that they had acted?

- *The fading process – ended relationships*
    - Were there any particular incidents or situations that you perceived as particular negative /particular positive happening during the relationship?
    - Why did you choose to terminate the relationship to the private banking unit?
    - When did it happen?
    - When did you realise for the first time that you wanted to end the relationship to the private bank?

- Why at that point in time?
- Was there a background to the decision?
- Was it a quick decision or did it take a long time before acting out the decision?
- Did you perceive a triggering situation or incident?
- Did you hesitate?
- How would you describe the course of events?
- Was it a slow/fast process?
- Did you perceive that the relationship went upwards or downwards at some point in time?
- Were there any changes looking at your feelings/perceptions/behaviour/ future intentions/during this process?
- Do you consider that you found yourself in any type of situation in life, work or something else that could have influenced the relationship to the private banking unit?
- Was there anything hampering your decision to end?
- Do you think that the private banking unit realised that you were about to end the relationship?
- Could they have realised it?
- Did they do anything to influence the situation?
- Were there any possibilities that this situation could have been avoided?

• *The fading process – financial advisors (NCIM customers)*
    - When talking to you during the spring, you believed that this customer relationship was fading, why?
    - When did you perceive that this relationship was fading for the first time?
    - Is there a background to this?
    - Did you perceive a triggering factor or situation?
    - Has there been any incidents or situations, negative or positive that may have influenced the relationship?
    - Do you perceive that NN found him/herself in any particular situation in life or work etc. that may have influence the relationship to the private bank?
    - How would you describe the course of events?
    - Did you perceive that NN:s behaviour changed during this process?
    - Do you think that the relationship has evolved upwards, downwards, stayed the same etc.?
    - Did you do anything to influence the situation?
    - Is there anything that you wish you had done differently?

• *The fading process – financial advisors (ended relationships)*
    - Why do you think that the customer ended the relationship to the private banking unit?
    - What happened when the relationship was ended?
    - Is there a background to this?
    - Did you perceive a triggering factor or situation?

- Has there been any incidents or situations, negative or positive that may have influenced the relationship?
- Do you perceive that NN found him/herself in any particular situation in life or work etc. that may have influence the relationship to the private bank?
- Did the relationship weaken at any point in time?
- How would you describe the course of events?
- Did you perceive that NN:s behaviour changed during this process?
- When you realised that the relationship was about to be terminated, did you do anything to influence the situation?
- Is there anything you wish you had done?

- *Relationship outcome*

Even though the purpose of the study did not focus on the relationship outcome, it seemed nevertheless important to capture how the relationship had developed and how the relationship looked at the time being. The customers in the two groups had either switched back to using a local branch office, switched to another bank group or had chosen to stay within the private banking unit. Questions were formulated according to the type of relationship outcome.

- *Relationship outcome – staying customers*
    - Are you still a customer in the private banking unit?
    - Is there anything today preventing you from switching to another bank?
    - Do you use other banks as well? /Why? /Why not?/
    - Are you satisfied with your decision to stay within the relationship to the private banking unit?
    - What are your intentions for the future?

- *Relationship outcome – ended relationships*
    - Are you still a customer in the private banking unit?
    - When did you leave?
    - What made you completely end the relationship?
    - Are you satisfied with your decision to end the relationship to the private banking unit?
    - What are your intentions for the future?
    - If looking at the future, are there any chances that you could become a customer in the private banking unit again?
    - Have there been any suggestions coming from the private banking unit to switch back?

- *Relationship outcome – financial advisors (staying customers)*
    - How do you perceive the relationship today?
    - What do you think about the future?

- *Relationship outcome – financial advisors (ended relationships)*
    - Do you think NN could come back to the private banking unit?
    - Have there been any attempts to make NN come back?
    - How do you perceive the loss of NN as a customer?

### 4.4.4 *Processing of data*

The interviews added up to 24 hours and 20 minutes of recorded material that was transcribed word for word. Since I had conducted all interviews myself, I had already gained a good apprehension of the stories described by the customers and the financial advisors, but the transcription of the interviews constituted an important part of the understanding of the interviews. I transcribed all interviews myself, except four. Another person, whom I had given clear instructions regarding the procedures involved with this task, transcribed them. We also discussed the interviews and information was given regarding possible difficulties hearing what was said on the tape.

During the transcription it was possible for me to insert comments in the documents as well as write down comments that did not relate exactly to what was said, but rather thoughts that were triggered by the stories told. The person transcribing the other four interviews also wrote down comments regarding the material. When listening to the interviews during the transcription it was possible to recall the thoughts that came up during the interview and also new thoughts that was generated after listening to several stories, or after listening also to the points of views given by the other actor in a relationship dyad. In order to get a more holistic understanding of the interviews and the phenomenon at hand it is believed that the transcription of the interviews was important for processing the information given by the respondents. Although another person transcribed four interviews, it is not believed that this significantly influenced this first phase in the interview interpretation since the other 38 interviews were transcribed by myself and made it possible to get a fairly good first grip of the information. This preliminary sorting of the interviews is important. It gives the researcher an overview of the material gathered with regard to central themes and it also provides an opportunity to skim through the material and get a feeling of the individuals behind the stories told (Widerberg, 2002).

The use of different qualitative data analysis (QDA) software guiding the analysis of the information retrieved from interviews has consequences for the interpretation of the data. The positive consequences constitutes a time-saving process with the ability to go through the material without accidentally missing details, and the ability to structure and code all important information according to themes. It also gives a sense of security as it reduces the possibilities of making a mountain out of a molehill since the program gives the researcher an overview of the citations or the information that supports a given theme. The software does however not help the researcher conduct the analysis, it only provides help with the sorting of the information. Everything done by the software is also possible to do using colour coding, word processors, tables etc. The QDA software just makes it easier to handle the material gathered. (Widerberg, 2002)

There is however a risk with using QDA software. The initial structure may prohibit the researcher from making too large changes of themes since all material must be re-examined according to the new themes each time (Widerberg, 2002). Another risk with using qualitative research software programs is the abstraction that occurs once the data is in the computer. There is a risk that the software program may drive the abstraction in unintended ways. The order in the way coded text is presented to the user may impact the researchers perceptions. (Crowley, Harré and Tagg, 2002) The danger of loosing the ability to incorporate also aspects that are not captured or supported in the interview data itself is also apparent (Widerberg, 2002), for example respondents reluctance to conduct interviews, information retrieved when talking to the respondents before or after the actual interview, the interviewers sensing of moods during the interview, underlying tones when talking about certain issues etc. Although there are clear positive aspects related to QDA, the above risks and the decision to use ideal type analysis have therefore directed the decision not to use these types of software.

After transcribing the interviews two types of documents structuring the analysis were made. One document structured the information according to the relationship dyads, but also according to the questions asked. This structure made it possible to compare customers' and financial advisors' answers to all questions in one particular dyad. The other document structured all customers' answers according to the questions asked. This structure made it possible to compare answers to the same types of questions. Structuring those comparisons was the second step in processing the interviews. Since questions sometimes differed and answers not always were relating to one question, but rather several questions, the matching of the answers had to be made after reading all the material. The interviews were colour coded in order not to accidentally miss some piece of information. The matching of the answers according to the relationship dyads (and according to the questions asked) and the matching of answers according to the customers' answers were then printed and re-read. The diagrams describing the general impression of the relationship and the "compass" looking at the relationship components were also incorporated in this analysis of the interviews. Important aspects in the structured transcriptions of the interviews were marked or given a written note. The stories presented in Chapter 6 were then written on the basis of the transcribed interviews focusing on the initial state, relationship changes and the outcome state of the relationship. Since focus remains on the customers' perceptions, it was decided that the financial advisors' stories rather would be presented as comments to the customers' stories instead of completely new stories. Due to secrecy, there may have been changes in the descriptions of the gender of either party in the presented portraits.

### *4.4.5 Analysis and interpretation of data according to portraits and ideal types*

Portraits and ideal types is one method of analysing and presenting results where contexts and holistic ideas are emphasised. The formulation of these portraits or ideal types depends on the purpose with using them. Portraits depict stories presenting phenomena that exist in real life while ideal types are constructed synopses based on several phenomena. (Widerberg, 2002)

Max Weber's ideal types capturing social conduct were developed with in the sociologists' ideas to capture human actions and social structures (e.g. Månsson, 2000). Weber (1949) describes an ideal type as "[…] formed by the one-sided *accentuation* of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent *concrete individual* phenomena, which are arranged according to those one-sidedly emphasized viewpoints into a unified *analytical* construct (*Gedankenabild*). In its conceptual purity, this mental construct (*Gedankenabild*) cannot be found empirically anywhere in reality. It is an *utopia* (Weber, 1949:90/ Shils, 1969:90)". [Italics in original]

The purpose of using ideal types in this dissertation is to bring up common themes describing the fading processes observed in the private banking relationship and abstract fading itself, rather than develop types describing private banking relationships. The interest here is first of all to understand the fading phenomenon. It is however important to understand that ideal types describe phenomena that constitutes representations of reality. The ideal types do not necessarily exist (Eneroth, 1992). On the other hand, with the current ontological background, we could claim that all information about a phenomenon is a representation of the reality rather than the "true" version of the same. The ideal type should however be something that *could* exist (Eneroth, 1992). Weber (1949) denominates the ideal type as an utopia. Utopia is often understood as an unattainable ideal. Weber (1949:91/Shils, 1969:91) acknowledges however that "[i]t is possible, or rather, it must be accepted as certain that numerous, indeed a very great many, utopias of this sort can be worked out." Ideal types could in other words represent phenomena that do exist.

Mintzberg (1984) used ideal types to describe configurations of organization power and the transition between these configurations. He stresses the fact that all theory simplifies and distorts reality in order to comprehend leading tendencies. Reflecting back on the existence of the configurations of power Mintzberg (1984) reinforces Weber's (1949) reflections: "In answer to the question whether these configurations of power exist, the answer must be yes and no: no, because no organization is ever as simple as an ideal type; yes, for any configuration that reflects a leading tendency in some organizations at certain points in their development" (Mintzberg, 1984: 214). The *ideal* types presented in this dissertation are thus not meant to constitute ideals in the way that they should be strived for (as an unattainable ideal). They represent the *idea* of a phenomenon capturing the essential features of the empirical reality and bring them together into a unified ideal-construct (Weber, 1949). Distinct from portrait descriptions, ideal type descriptions are thus the sum of different complex observed portraits that have common features which may be gathered and exemplified with the help of the ideal type. The purpose of distinguishing ideal types in this dissertation is not to generalise the knowledge retrieved from the qualitative data gathered, but instead to handle a multitude of complexity. This is often the result when focusing on a deep understanding instead of a broad.

Stauss and Neuhaus (1997) generated satisfaction and dissatisfaction types grounded in theory which were later tested in the financial service industry. This type of theory generated ideal types differ from the ideal types presented here since the fading process types were developed solely on the basis of the empirical data. The advantages of creating ideal types based on theory is for example the possibility to quantitatively test the existence of the ideal types and therefore improve the theory on which they were built. This type of research strategy could on the other hand direct the empirical data collection too strongly, making it difficult to observe also other ideal types that may exist. Ideal types that emanate from the empirical data may therefore better capture the ideal types that contribute more to new knowledge about a phenomenon, in line with the explorative approach taken in this dissertation.

However, the ideal types presented here are not alleged to cover all possible fading relationship processes, which would be easier with a quantitative study generating ideal types developed from theory. Qualitative data is on the contrary focusing on a deeper and narrower fraction of the breadth of information possible to retrieve on the phenomenon. The ideal types presented may therefore only cover a part of all possible ideal types that could be developed with a larger amount of information. This is important to understand when discussing the use of the information retrieved from the study. The ideal types found may on the other hand not cover all details that could be related to one fading process. Instead of focusing on mean values, ideal types focus on extreme values. Ideal types therefore illuminate a phenomenon’s strong or more prominent traits. It is important that they are distinct enough from each other in order to create a sufficient understanding of different ideal types. The ideal type may cover several or some of the traits found in different portraits. Figure 16 illustrates the creation of ideal types where different dominant traits are gathered into one ideal type. The advantage of using qualitative and complex data is the possibility to deepen the descriptions of the types. It renders possibilities to fill out the descriptions and make them more interesting using examples from the data gathered. Acknowledging that there is a more complex reality behind the descriptions of the ideal types must however be emphasised.

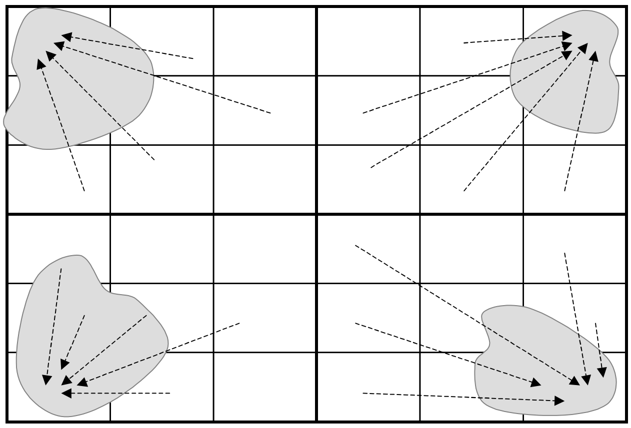

**Figure 16: Ideal types**

Even though the study strives to give a more complex description of the ideal types, there is always a risk of oversimplifying information when using this type of analysis, which could lead to the protection of the developed theoretical concepts from critical examination (Prandy, 2002). The risk of over-simplification is however not only applicable to ideal types, but on all processing of complex qualitative data. In order to handle, in this case, the information retrieved from hundreds of pages of interview transcripts there is a need to cut down on the possibilities to give a complex presentation.

Ideal types origins from the common-sense thinking of everyday life (Schutz, 1954). We are in other words used to create ideal types, making them patterns of analysis we base our everyday understanding and decisions on. An economic system such as capitalism constitutes for example an ideal type. If comparing typical capitalist countries with the description of a capitalist system, we will however notice that there are differences between the ideal type and the actual representation. (Eneroth, 1992)

The ideal types described in this dissertation grew as the interviews were conducted and transcribed. The model for analysing the fading process types came also out of the interviews as well as the theoretical framework and influenced of course how the fading process types were described and conceptualised. The most apparent fading type was the crash landing process where customers that were interviewed expressed very negative feelings, very distinct from the customers describing fading processes that later on were conceptualised as altitude drop processes. The try-out process was also revealed when it seemed as if the private banking services in some cases had been a solution the customer were not really ready to pay for, but anyway seemed interesting enough to try out. The fizzle out process was the type that took some time to crystallise, probably due to the character of the process where there seemed to be a passive course of events that directed the fading process. Both financial advisors and customer stories were categorised according to the types, where some border-line cases were re-read and analysed several times before deciding what type of process they described. This may be a result from the processes not capturing one distinct process, but rather extend to different types.

Since the qualitative interviews makes the basis for analysis rich, but not as broad as a quantitative study would have conveyed, it has not been possible to put focus on exact differences between groups of details. The purpose of the knowledge retrieved from the interviews, and also the purpose of ideal type analysis, is however not to delve into details but rather abstract the findings into groups of typical descriptions within which it is possible to find valuable information for the understanding of the phenomenon at hand. This demands however an ability to go back and forth between holistic understanding and detailed information. It must however be emphasised that the details that are illustrated only may show parts of a phenomenon or in other cases go very deep into another phenomenon. This makes the current study a basis for abstraction of knowledge, but not generalisation of knowledge. It strives to discover the essentials of a phenomenon, not the spread.

### *4.4.6 Methodological considerations*

The strategy to continue gathering information from the customers that had been identified as fading in the NCIM study could be perceived as somewhat vague since the basis for this general impression of the relationship only was retrieved from the questionnaire sent to the customers. In order to verify if the general impression of the relationship could be interpreted as fading, all customers were called for a shorter discussion after the completion of the questionnaire. The aim of the discussion was to see if the customer at hand could work as an interesting respondent in the future through shortly discussing the perception of the relationship and therefore get a confirmation whether the signals coming from the questionnaire also corresponded to the points of views discussed during the short phone call.

Questions looking at different aspects on a Likert scale does not “suit” all respondents, i.e. some respondents simply don’t like discussing things and therefore do not care to justify the estimates they give no matter how much you try to make them do this. It rather irritates the customers. In most cases, however, customers are triggered by these types of questions resulting in discussions on why they estimate e.g. the relationship to the bank as having a certain strength and what relationship strength really means to them. They may also express some irritation towards those types of simplification of very complex issues, and start describing what they really mean. This is the type of reactions that must be sought when using the Likert scale questions for the purpose of starting a discussion. It demands however that the researcher allows him-/herself to act ignorant enough to continue asking these follow-up questions, but also knowledgeable enough in order for the customer to be willing to talk about the issues at hand. Otherwise there is a risk that the respondent starts questioning the researcher's professional attitude. If the interviewer does not seem to understand, why bother talking to him/her?

Since both parties in the relationship were interviewed with focus on the same issues, there is also a risk that the respondents are reluctant to answer because of a feeling that they don't know what the other party has described. This was handled by saying that the intentions of the interview wasn't to analyse whether they gave the "right" version of the things that took place, but rather to hear their version of what had happened. It is normal that people perceive things differently and the interest was focused on understanding that particular person's perception of what had been taken place. What the other party in the relationship had said was furthermore of course never discussed with the respondent. There is however always a risk that the respondents give the researcher a better or manipulated version of what has happened or reconstructs the explanation according to what has happened after an event. Being able to talk to both parties in a relationship is one way of handling this risk. In some cases the stories did not match. This is however here believed as an asset for understanding the complexity of the relationships rather than a methodological flaw. The understanding of the subjective reality described by the respondents is one of the keys to understanding the drivers and development of fading relationship processes.

The context in which the questions are asked is important for the answers retrieved from the respondents. Fading relationships could be interpreted as negative and therefore the questions were formulated to avoid implicit interpretations to be made by the respondent during the interview. The respondents were however often interested in the subject area and sometimes also themselves working with issues related to managing customer relationships. This creates a risk "over analyse" questions asked, trying to understand possible underlying assumptions. One example coming from an interview with a customer shows a situation where a customer has interpreted the underlying assumption regarding expectations:

> **Did you have a clear understanding of what to expect?**
> - Well, that might have been somewhat woolly. Well, no, as you say, the first meeting is more like this… you just talk in quite general terms and you never really get any further and maybe both just sit and expect things without knowing what to expect, as you say.

There had been no previous discussion about expectations in the interview, but the customer seems to interpret the question as if the interviewer is implying that there were no clear expectations. After reviewing the answers to this question among the respondents, this interpretation seems however not to be made by other customers. It is therefore assumed that they have perceived the question open enough to incorporate also other types answers. This is however a problem that most researchers meet when making qualitative interviews. The questions asked, and the order of the questions asked will always have the potential to influence the customer to talk about specific issues or relate certain issues to the previously asked questions or areas discussed. It is the researcher's/interviewer's task to formulate the questions in such a way that the respondent is able to open up his/her mind and thinking instead of directing him/her towards the answers the respondent is searching for.

Discussing issues with wealthy people related to their wealth, and the management of this wealth requires some type of trust present between the respondent and the interviewer. There is not only an inbound reluctance to talk about wealth among many people, but to talk to a complete stranger about these issues may be even more awkward. The background and aim of the study is therefore important where the link to the Swedish School of Economics in Helsinki and the fact that the study is made within the realms of a dissertation was emphasised. It is also important to state how details about the customers are retrieved and handled, along with the reassurance that all information was handled according to the Official Secrets Act. Last but not least it is important that the interviewer during the interview shows interest in and knowledge about issues related to wealth management in order to support the customer in his/her descriptions of the relationship.

The questions asked were both open-ended but also looking at Likert scale assessments. When interpreting the data, the respondents reasoning and justifying of the Likert scale answers have been used as much as possible in combination with the Likert scale ratings trying to give an accurate picture of the customers feelings, acts, cognitions and conations. During the beginning of the interview the focus lay on trying to make the respondent express in his/her own words how the theme in focus was perceived. The ratings were mostly discussed as a base for expressing a change. Here is an example discussing how the customer perceived the relationship activity, first discussing it in the beginning:

> **- If you would rate the bank on the same scale, in the beginning, if one means completely passive and seven very active, how would you rate the private bank when you entered?**
> - Well, at that time about five, yes.
> **- In what way do you think they were five, why do you choose…?**
> - Five, well, but they were very much into explaining, well not explaining, but well, then you may do like this with the money and you may do like this with the money, and this was, you know, at that time it was a bit hard on the stock market, and like, then you may do it this way and then you may do like this with the insurances and… well, she was very alert that way, like, but I felt like she was doing it to sell the banks services. Sometimes it's a bit too much on the banks premises, to show a result.
> **- So you mean it felt as if it was more… on their…?**
> - Too much selling.

And then later when discussing how the customer perceived the relationship activity today:

> **- OK, if you would rate them on this scale today, if one is completely passive and seven very active…?**
> - The bank?
> **- Yes.**
> - Well, they are, did I say five before, didn't I?

**- Let's see… yes.**
- Well, then it's like five plus, if you've got that.
**- Well, no but… so they are a bit more active?**
- Yes.
**- Why is that?**
- Well, I think that's depending on the general economic situation, they have to work harder to at all make the customer do anything.

In cases where the respondents willingness to discuss has been very low, or in the three cases where technical problems made the recordings unusable, there has been an interpretation much more based on the Likert scale ratings.

It is finally always interpretative difficulties involved with discussing situations or issues that relate back to former courses of events. Issues that might have been seen as very negative in one point in time may be seen less negative after a while as well as the other way round. This notion supports therefore the decision to make the study among customers and financial advisors in the current private banking unit. Since the organisation was fairly young, the relationships were consequently young. This improved the respondents' ability to at least remember what had happened during the years. It does however not help the researcher interpret possible answers that are the result of the respondent's desire to rationalise what she has been doing. The dyadic approach to understanding fading is one way of dealing with this problem. When hearing both parties' versions of a course of events, it is easier to evaluate the understanding of what actually happened.

## 4.5 Summary – gathering empirical data

Looking at all four studies, a total of 70 qualitative interviews have been made ranging from unstructured to structured including a quantitative pilot study incorporating 46 assessments of 23 relationship dyads. The two first studies contribute only to the pre-understanding of the problem, whereas the two last studies focus specifically on the fading process and how the parties involved in the relationship dyad perceive the fading relationship. It could be argued that the time spent on making interviews only contributing to the pre-understanding of the phenomenon instead should have been focused on the fading process. With the abductive approach taken, it was however not really clear in the early stages of the writing process that the processual character of the fading relationship should stay in focus. The strength in conducting different types of interviews with a multitude of different actors is however that it allows the researcher to find a focus that is related to the empirical phenomenon and not only extracted from a theoretical review. Since there was not very much written focusing on the fading of customer relationships, this exploratory approach was therefore considered as the most suitable way of coming closer to the fading phenomenon.

# 5 Detecting fading relationships

*The current chapter aims to give a background to the difficulties related to detecting fading relationships. As initially discussed, fading could take place in the mind of the customer as well as it could be articulated through the customer's behaviour. If information on customer behaviour turn out to be inadequate, is it then possible for a company to detect fading relationship processes? The chapter also aims at understanding possible perception differences of negative critical incidents that could have a negative impact on the relationship development. The chapter should be considered the entrance to the empirical part of the dissertation with the aim of giving an initial understanding of the difficulties related to understanding fading relationships. The analysis of the results will act as a platform for the next empirical study.*

In order to understand if it is possible to detect fading customer relationships, a pilot study in a private banking setting was conducted analysing detection problems through two different methods. Financial advisors working in the private banking unit were first of all asked to detect fading relationships and justify why these relationships were believed to be fading. Both customers and financial advisors were then asked to estimate the influence of negative critical incidents on the relationship, in an attempt to measure how the perceptions between both parties in a relationship corresponded to each other.

The pilot study looks at critical incidents using the Negative Critical Incident Mapping (NCIM) technique including both qualitative and quantitative techniques. NCIM offers a possibility to map the perceptions of both parties in a relationship, resulting in a better understanding of how these perceptions may differ or correspond to each other. 23 relationship dyads were included in the pilot study resulting in a total of 46 assessments of negative critical incidents. The results from both customers' and financial advisors' assessments will be presented and analysed with the aim of better understanding the difficulties involved with detecting fading relationships.

## 5.1 Financial advisors' ability to detect fading relationships

As mentioned when discussing the methodological background to the study in Chapter 4.3, the financial advisors were asked to contact customers they believed were fading. In order to understand the reasoning behind this selection process, the financial advisors were requested to explain why they believed a particular customer relationship to be fading. Some of the financial advisors conducted a more structured analysis while others at once picture customers they believed were fading, without systematically analysing their customer base. Still others did not really find time to either analyse or act according to the problem.

The most common reason was a perceived dysfunctional relationship. Customers that recently had switched a financial advisor or branch office were also perceived as being at risk of fading as well as those dissatisfied with annual fees or financial advice given by the financial advisor.

Many of the financial advisors admitted that fading relationships could be found among their own customers, but had problems recognising them. Some of them did however not believe that they had customers with fading relationships since they were about to develop a customer base or had very good contacts with their current customers. The financial advisors that did perceive fading relationship were to some extent reluctant to contact the customers since the relationships were considered sensitive and they did not want to bother the customers by asking them to participate in a study.

In order to evaluate whether the financial advisors' general impressions of the relationships corresponded to the customers' impressions of their relationship, customers were asked to indicate in the NCIM questionnaire sent out to them (see chapter 4.3.4) how they perceived the relationship development. Had the relationship become stronger, weaker, had there been no change or had the relationship been going up and down? The possibility that the customer did not perceive a relationship at all could also be marked. Only seven out of the 23 customers participating in the study perceived the relationship as fading. Seven customers actually perceived their relationship to the private bank to have become stronger than before. Moreover, four customers considered the relationship as having gone up and down, which indicates that it at some point of time must also have been fading. Four customers did not believe that the relationship had changed, and one customer claimed to have never had a relationship.

The fact that some customers had a general impression of the relationship as weaker indicates that changes downwards take place in relationships. Recognising these changes is however difficult. Private banking services are built around the notion that each financial advisor should manage a small number of relationships, thus giving the possibility to better get to know the customer and therefore be able to customize the private banking services. Despite that, they did not succeed very well in detecting fading relationships. The reason for this might lie in a lack of customer knowledge or ability to perceive changes in the relationship, but could also be the result of differing approaches to selecting the fading customer relationships. Some financial advisors simply did not put as much effort into really delving into the problem as others.

Looking at the financial advisors' impressions of (what they thought were) fading customer relationships, a dysfunctional relationship was the dominant presumed cause for fading. This indicates that the financial advisors were selecting customers that in some way showed dissatisfaction with the relationship. The fading of a customer relationship is however not always a result of dissatisfaction (Bolton and Bronkhorst, 1995; Mittal and Lassar, 1998). Maybe the financial advisors were interpreting the signals coming from customers incorrectly? A poor initial relationship quality could filter most types of triggers, which are evaluated in the light of the history of the relationship and therefore considered normal (Voima, 2001). Customers perceiving a low relationship quality might therefore not be the ones complaining. Customers reacting to problems might actually be those perceiving a good relationship quality. Financial advisors could however perceive this as dissatisfaction and interpret the relationship as fading.

Both customers and financial advisors were also asked to estimate the total amount of the customer's assets that were managed by the private banking unit. Since each financial advisor managed a rather limited number of customer relationships, it was interesting to know in broad outlines whether the customer's and the financial advisor's perception of the volume of the managed assets corresponded to each other.

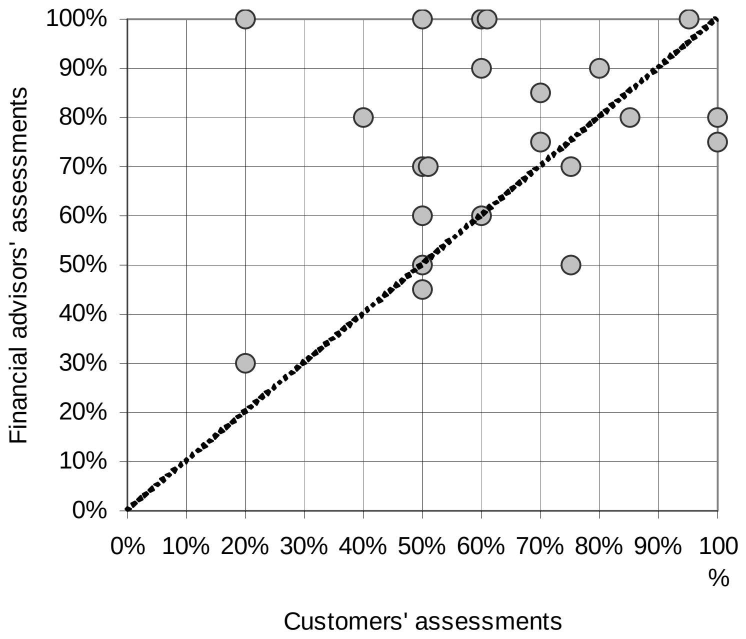


**Figure 17: Customers' and financial advisors' assessments of managed assets (share of wallet)**

Figure 17 shows that there seems to be a difference between customers' and financial advisors' estimates of the total volume of managed assets. Financial advisors tend to exaggerate the share of assets managed within the private banking unit, indicating that it is difficult to keep up with information and knowledge about the customers even in these types of relationships. The financial advisors believed in other words that the bank managed a larger share of wallet than they actually were doing. If financial advisors have problems estimating the share of assets managed, there may also be problems identifying variations in the relationship related to changes in volume, interaction frequency, transactions etc. making it hard to detect fading also related strictly to behavioural aspects of the relationship.

## 5.2 Perceptions of negative critical incidents

Difficulties perceiving fading relationships could also be the result of differing perceptions of important issues influencing the relationship negatively. Both customers and financial advisors were therefore asked to estimate the effect of 39 negative critical incidents on the relationship (see methodological considerations in chapter 4.3.2). The 39 negative critical incidents assessed by both customers and financial advisors were measured on two different scales: importance and frequency. In other words, how important they were to the relationship (Very negative, Negative, Negative to some extent, No effect, Don't know) and how often the incidents had happened (Often, Sometimes, Seldom, Rare occasions, Never). The findings point towards differences in the perceptions of critical incidents between customers and financial advisors.

The selection of the negative critical incidents in the quantitative study was based on qualitative interviews, other NCIM studies, and literature (see chapter 4.3.3 and 4.3.4). Since the participating customers are assessing the same standardized set of incidents, it is important to determine how well the set of incidents capture the relationship. Multiplying mean importance with mean frequency for each incident gives what Holmlund and Strandvik (1999; 2000) would call a criticality or problem index. The higher problem indexes, the more likely that the incident not only is important but also currently taking place. It was here calculated through using each incident's mean importance value multiplied with each incident's mean frequency value.

Table 1 reveals the problem index for both customers and financial advisors, i.e. each incident's mean criticality x mean frequency, for both customers and key client managers. The table is sorted and ranked according to customer estimates with the most problematic incidents from the point of view of the customers at the top of the table and the least or not problematic incidents at the bottom. The incident ranked as number one is the most problematic and so on.

Incident number 14 (The customer experiences difficulties getting concrete investment advice during periods of market recession) has the highest problem index according to the customers. Financial advisors on the other hand have assessed number 33 (The financial advisor does not contact the customer as often as the customer wants). Both customers and financial advisors perceive number 27 (Certain product fees do not seem justified) as problematic.

A background to incident number 27 having such a high problem index might be the fact that the annual fee was increased a few weeks prior to the study. Looking at Table 2 the third most problematic incident, as perceived by customers, is number 28 (The services offered do not reach the level of the annual fee). Incident number 27 is however emphasising product fees, but since both incidents related to fees are problematic, it might be a reaction to the rise in the annual fee.

**Table 2: Problem index**

| Incident | Problem index, advisor | FA Rank | Problem index, customer | Cust. Rank |
|---|---|---|---|---|
| **14: The customer experiences difficulties getting concrete investment ideas during periods of market recession.** | **4,53** | **3** | **6,47** | **1** |
| 27: Certain product fees do not seem justified. | 4,54 | 2 | 5,72 | 2 |
| 28: The services offered do not reach the level of the annual fee. | 3,87 | 7 | 3,21 | 3 |
| 19: The bank does not willingly admit miscalculations concerning investment issues. | 2,95 | 14 | 3,16 | 4 |
| 26: The level of service differs to a large extent between different employees at the bank. | 2,73 | 16 | 3,11 | 5 |
| 30: The financial advisor is not always available. | 2,93 | 15 | 3,10 | 6 |
| **33: The financial advisor does not contact the customer as often as the customer wants.** | **5,58** | **1** | **2,91** | **7** |
| 2: The chemistry between the customer and the financial advisor does not work out well. | 3,10 | 12 | 2,65 | 8 |
| 29: The customer does not experience the services offered as much better than the services offered at the local branch office. | 4,24 | 6 | 2,50 | 9 |
| 1: The financial advisor has not fully understood your investment philosophy (e.g. financial goals) | 4,41 | 5 | 2,34 | 10 |
| 38: The customer does not consider the bank to have informed him/her well enough concerning a change (e.g. changes in services, fees etc.) | 4,42 | 4 | 2,26 | 11 |
| 7: The customer has experienced very positive contacts with another bank or financial institution he/she also is using. | 2,61 | 17 | 2,17 | 13 |
| 3: The financial advisor is transferred to another office and therefore replaced by a new financial advisor. | 1,00 | 38 | 2,17 | 12 |
| 20: Basic services, such as bankcards, automatic transfers etc. do not function flawlessly. | 3,41 | 8 | 2,08 | 14 |
| 4: The customer does not feel comfortable talking to the financial advisor about dissatisfying issues linked to the advisor's level of service, performance etc. | 1,76 | 30 | 2,02 | 15 |
| 9: The customer read or hears negative statements about the private bank. | 2,55 | 18 | 1,98 | 16 |
| 6: The communication between the customer and his/her financial advisor is rather characterised by a monologue and not a dialogue. | 2,45 | 20 | 1,60 | 17 |
| 35. The bank's general information sent to the customer is poor or incomprehensible. | 2,04 | 24 | 1,47 | 18 |
| 8: An acquaintance, in whom the customer feels confident concerning financial matters, express him-/herself negatively about the private bank's services | 2,09 | 23 | 1,35 | 19 |
| 36: The bank's compilations/summaries sent to the customer are poor or incomprehensible. | 3,29 | 10 | 1,29 | 20 |
| 12: The customer notices an obvious mistake made by the bank which the financial advisor has not observed. | 1,87 | 28 | 1,16 | 21 |
| 31: The customer is not recognised when calling the private bank office. | 2,27 | 22 | 1,15 | 22 |
| 5: The customer's needs for bank services varies during certain periods, something the financial advisor does not seem to perceive or act according to. | 2,33 | 21 | 1,11 | 25 |
| 17: A business transaction fails due to lack of employees (Swedish: underbemanning) at the bank. | 1,16 | 35 | 1,11 | 24 |
| 18: Investments seem to be based on the financial advisor's intuition rather than proper analyses. | 1,06 | 36 | 1,11 | 23 |
| 16: The financial advisor has, during some periods, only time for more urgent tasks. | 1,63 | 31 | 1,08 | 26 |
| 11. The customer has, in certain financial matters, more knowledge than the financial advisor. | 1,26 | 33 | 1,08 | 27 |
| 22: The Internet bank is working poorly or slowly at certain occasions. | 3,41 | 9 | 1,04 | 28 |
| 37: Basic information for decision-making and proposals coming from the financial advisor can be difficult to understand or time consuming. | 1,94 | 27 | 1,03 | 29 |
| 39: When contacting other bank units the customers notice a lack of information and knowledge about their total assets managed by bank. | 3,09 | 13 | 1,00 | 30 |
| 24: The private bank does not offer certain desired products and services. | 2,52 | 19 | 0,99 | 31 |
| 21: The Internet bank does not function on certain occasions. | 3,18 | 11 | 0,82 | 32 |
| 13: An incorrect business transaction is performed due to a misunderstanding between the customer and his/her financial advisor. | 1,18 | 34 | 0,77 | 33 |
| 25: The customer experience difficulties transferring capital between different banks, funds, insurances etc. | 2,03 | 25 | 0,65 | 34 |
| 32: The customer experiences sometimes that the financial advisor is stressed or impatient during contacts. | 1,98 | 26 | 0,65 | 35 |
| 15: A temporary financial advisor (e.g. substitute during the holidays) does not achieve the same level of service as the regular financial advisor. | 1,04 | 37 | 0,58 | 36 |
| 10: The customer perceives the financial advisor as rather sceptic concerning his/her contacts with other banks (e.g. loans, funds, etc. at other banks) | 0,79 | 39 | 0,48 | 37 |
| 34: The financial advisor's interaction modes does not suit the customer (the customer need another type of contact, e.g. e-mail, personal meetings etc.) | 1,40 | 32 | 0,29 | 38 |
| 23: There are restrictions in the type of business transactions possible to perform on the Internet, e.g. large transactions etc. | 1,84 | 29 | 0,21 | 39 |

The incident having the highest problem index among customers (number 14 - The customer experiences difficulties getting concrete investment advice during market recession periods), comes originally from an interview made with a financial advisor in the qualitative phase (see chapter 4.3.3) saying:

> - It can sometimes be hard to come up with new ideas, like now for instance when nobody knows what happens. There are a bit too many phone calls only to ask how everything is going and if you have been playing golf lately.

This citation reveals a tendency to rather update on the social aspects of the relationship, instead of taking care of investments issues during times of economic instability. Since the incident got a high problem index among customers, it seems as if they also perceive it as a problem.

Financial advisors have on the other hand assessed number 33 (The financial advisor does not contact you as often as you want) to have the highest problem index. Number 33 raises the issue of contact frequency. The financial advisors do not perceive themselves as having enough time to contact the customers. The problem index for the same incident is however much lower among the customers (ranked on 7$^{th}$ place). Comparing with the customers' highest problem index on number 14, it looks as if customers assign importance to interaction content while financial advisors worry about interaction frequency.

Financial advisors believed that the negative critical incidents occurred more often than customers believed they did. This resulted in generally higher problem indices for financial advisors compared to customers. Only eight out of the 39 incidents have a higher problem index among customers (marked with grey). Even though the financial advisors' problem indices generally are higher, they seem to underestimate the incidents perceived by the customers as most problematic. Out of the eight incidents that had higher problem indices among customers (underestimated by the financial advisors), five are found among the customers' top problem indices.

Looking at the top ten problem indices among customers and financial advisors, six problematic areas emerge (see Table 3): performance, quality – price ratio, services, accessibility, communication and interaction and finally basic technical aspects. Even though the same type of incidents may be found among the top ten, there are differences between the ranking of these incidents and the problem index ratings (except for number 27). There is in other words not much disagreement about these incidents being important, rather how important they are.

Seven of the problem indices with the largest differences are found among the top ten incidents. The two incidents showing, respectively, the largest overestimation vs. underestimation are actually the two incidents having the highest problem indices among the two groups. There is furthermore one distinct difference between the two groups looking at the most problematic incidents. Customers do not consider basic/technical aspects to be very problematic whereas the financial advisors had three incidents related to basic/technical aspects among the top ten problem indices.

**Table 3: Top ten problem indices**

| Problematic areas | Financial advisors' top ten problem indices | Customers' top ten problem indices |
|---|---|---|
| **Performance** | 14: The customer experiences difficulties getting concrete investment ideas during periods of market recession (**ranked 3**) | 14: The customer experiences difficulties getting concrete investment ideas during periods of market recession (**ranked 1**) |
| | | 19: The bank does not willingly admit miscalculations concerning investment issues. (**ranked 4**) |
| **Price – quality ratio** | 27: Certain product fees do not seem justified (**ranked 2**) | 27: Certain product fees do not seem justified (**ranked 2**) |
| | 28: The services offered do not reach the level of the annual fee (**ranked 7**) | 28: The services offered do not reach the level of the annual fee (**ranked 3**) |
| **Services** | | 26: The level of service differs to a large extent between different employees at the bank (**ranked 5**) |
| | 29: The customer does not experience the services offered as much better than the services offered at the local branch office (**ranked 6**) | 29: The customer does not experience the services offered as much better than the services offered at the local branch office (**ranked 9**) |
| **Accessibility** | | 30: The financial advisor is not always available (**ranked 6**) |
| | 33: The financial advisor does not contact the customer as often as the customer wants (**ranked 1**) | 33: The financial advisor does not contact the customer as often as the customer wants (**ranked 7**) |
| **Communi-cation and interaction** | 1: The financial advisor has not fully understood your investment philosophy (e.g. financial goals) (**ranked 5**) | 1: The financial advisor has not fully understood your investment philosophy (e.g. financial goals) (**ranked 10**) |
| | | 2: The chemistry between the customer and the financial advisor does not work out well (**ranked 8**) |
| | 38: The customer does not consider the bank to have informed him/her well enough concerning a change (e.g. changes in services, fees etc.) (**ranked 4**) | |
| **Basic technical aspects** | 20: Basic services, such as bankcards, automatic transfers etc. do not function flawlessly (**ranked 8**) | |
| | 22: The Internet bank is working poorly or slowly at certain occasions (**ranked 9**) | |
| | 36: The bank's compilations/summaries sent to the customer are poor or incomprehensible (**ranked 10**) | |

## 5.3 Discussion and starting point for the follow-up study

The pilot study indicates that there are difficulties involved with detecting fading customer relationships based on differences between customers' and financial advisors' general impression of the relationship. Only eleven out of the 23 customers perceived that the relationship had been fading in one point of time or was currently fading. There were also differences in the estimates given by financial advisors and customers regarding the share of assets under management. Financial advisors believed that they managed a larger share of wallet than they actually did according to customer estimates making it difficult to potentially see changes also in behavioural aspects of the relationship. Even though the differences only should be interpreted in terms of broad outlines, Figure 17 indicates that there seems to be a possible lack of knowledge even regarding one of the most central aspects of the relationship. Problems related to detecting fading were finally also revealed in the differences between the perceptions of the effect of negative critical incidents on the relationship. The financial advisors did not completely understand what type of negative critical incidents that influenced the relationship development.

Private banking services are built on the notion that each financial advisor should manage a small number of relationships, thus giving the possibility to better get to know the customer and therefore be able to customize the private banking services. Despite that, the financial advisors did not succeed very well in detecting fading relationships or assessing information that could be valuable for detecting fading relationships. If this is true in these types of relationships, it is not difficult to understand why it is also problematic to recognise changes in relationships in larger customer bases. The understanding of perception differences between customers and financial advisors may therefore be valuable in order to understand why the fading of a customer relationship can be difficult to detect.

Most of the financial advisors that were asked to pick out fading customers failed their mission. Out of the 36 financial advisors that were chosen for the study 33 agreed to participate and only 15 of them managed to find fading customers. The results could indicate that the private banking unit do not have many fading relationships among their customers, but could also point out a lack of customer knowledge or ability to perceive changes in the relationship. It could also be the result of differing approaches to selecting the fading customer relationships. Some financial advisors simply did not put as much effort into really penetrating the problem as others did, indicating that fading relationships are not of high priority among some financial advisors. In an organisation that is about to establish a customer base there might be a tendency to deal with customer switching problems when they appear, not prevent them from occurring. If focus is directed towards customer base quantity, financial advisors may furthermore feel reluctant towards confessing that relationships are fading. Some relationships were furthermore believed to be too sensitive and problematic to deal with which evoked an attitude among financial advisors persisting that it’s better to let sleeping dogs lie. It is however here believed that these types of relationships (in particular) possess a large learning potential. If the bank is interested in learning about fading, they have to deal with these problematic relationships.

Looking at the financial advisors’ impressions of (what they thought were) fading customer relationships, a dysfunctional relationship was the dominant presumed cause for fading. This indicates that the financial advisors were selecting customers that in some way showed dissatisfaction with the relationship. The fading of a customer relationship is however not always a result of dissatisfaction (Bolton and Bronkhorst, 1995; Mittal and Lassar, 1998). A poor initial relationship quality could filter most types of triggers, which are evaluated in the light of the history of the relationship and therefore considered normal (Voima, 2001). Customers perceiving a low relationship quality might therefore not be the ones complaining. Customers reacting to problems might actually be those perceiving a good relationship quality. Financial advisors could however perceive this as dissatisfaction and interpret the relationship as fading. Stauss and Neuhaus (1997) emphasise that there exist different customer satisfaction types. Even though customers state similar total satisfaction scores, there may be differences in the types of emotions and expectations held towards the company as well as differences in reasons for re-patronizing a company or not.

There is in other words a possibility that the signals coming from the customers may be interpreted incorrectly. This could lead to misperceptions of the relationship development character. Grönhaug et al (1999) observed that strong social ties between relational actors rather hampered than eased flow of information. If the customer and the financial advisor have a strong and tight relationship, the customer might be reluctant to contact the private bank advisor in order to sort out problems, due to the feeling of going behind someone's back or fear of damaging the relationship. The closeness of the relationship may therefore to some extent hinder the financial advisor from detecting problems.

Even though financial advisors in general showed higher problem indices, they seemed to underestimate the most problematic incidents as perceived by the customers. Financial advisors also focused more attention on basic technical aspects compared to customers and there were differences in the estimation of how problematic the incidents were. These differences may be one of the reasons why it is difficult to detect fading. Financial advisors do not completely understand the most problematic negative critical incidents that could influence the private banking relationships.

Since there are difficulties related to detecting fading relationships, more effort must be put on the *complexity* of the fading. Complaining behaviour, interaction frequency, loss in volume or other measurable behavioural aspects of the relationship may give some indications but do not capture the complexity of the problem. It must also be interpreted through the understanding of mental or attitudinal processes. Capturing attitudinal as well as behavioural aspects therefore becomes important in order to follow changes in the relationship and represents an important issue in order to better recognise and possibly prevent fading customer relationship processes. Understanding not only behavioural but also attitudinal influences on the relationship development therefore becomes important when conducting the follow-up study.

In order to better understand the fading phenomenon a process perspective is furthermore needed including not only relationship behaviour, but also what materializes in the mind of the customer. Since fading is a process, the tools to study the phenomenon have to be accustomed to it. Negative Critical Incident Mapping constitutes a technique to map possible influencing factors on the development process, but does not capture the process itself. It is for example not possible to know whether incidents are assessed, as they were perceived directly after they occurred or after a possible service recovery. Other methods must be used in order to see a processual development in the follow-up study.

Critical incidents are finally just one type of influencing factors on a fading process, other influencing factors could also exist in the customer's life situation, bonds, situational and temporal influences, social norms, personal characteristics etc. Taking a perspective allowing several different causes for relationship fading is therefore interesting to conduct as well as the understanding of fading processes that do not have specific triggers, but instead just seem to come to nothing. The emphasis on changes therefore becomes important. Allowing for process descriptions that don't necessarily build on stages or categorisation of phases but rather capture the dynamics of the process will therefore be emphasised.

It can thus be concluded that the difficulties involved with detecting and understanding fading customer relationships demands further information developing the idea of incorporating both parties of the relationship, but also including a process perspective on fading. As discussed in Chapter 2.1 the pilot study focused and directed the character of the follow-up study. The results from the follow-up study focusing on fading *processes* will therefore be presented in the following chapter.

# 6 Presentation of four types of fading relationship processes

*This chapter presents the results from the main study. As discussed in Chapter 4.4.5 ideal type analysis has been used to discern different types of fading relationship processes. Both the presentation of the results and the analysis will be based on four different process types derived from the 42 qualitative interviews conducted with private banking customers as well as financial advisors. 21 fading relationship process portraits with focus on the customer's stories will therefore be presented and conceptualised here. The customers' stories constitute the basis for the portraits, whereas the financial advisors' stories rather are comments on issues brought up in the stories told by the customers.*

*The relationship portraits* will be described looking at the initial state, changes in the relationship and the relationship outcome emphasising both the general impression of the relationship as well as cognitive, affective, conative and behavioural components of the relationship strength.

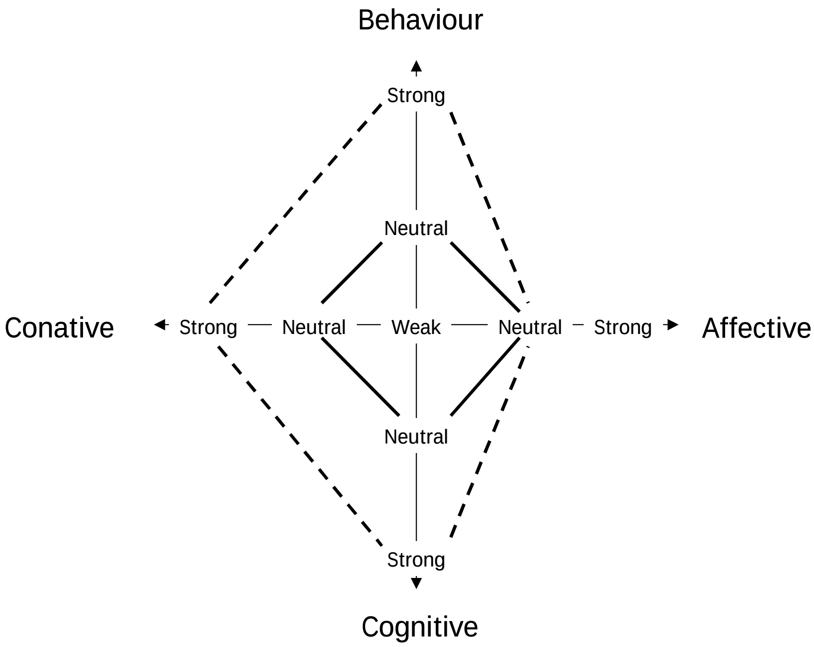


**Figure 18: Components of relationship strength before and after the fading process**

A "compass" (see Figure 18) will help describe how the components have changed, where both the initial (the dashed line) and outcome state (the straight lines) of the components of relationship strength will be depicted making the dynamic of the components more visible, discussing also the content of these components. The discussion on the components is illustrated in respective figure presenting a compass for each portrait.

Each portrait is categorized according to four types of processes conceptualised as the Crash landing processes, the Altitude drop processes, the Fizzle out processes and the

Try out processes. *The presentation of the ideal types* is structured according to the tentative framework for understanding different types of fading processes introduced in Figure 15, Chapter 3.9.5. Each fading process type is shortly described according to the tentative framework before the presentation of the relationship portraits. This model will then be developed in more detail in Chapter 7 where the empirical results are incorporated in the model The four types of fading processes will then be further elaborated on in Chapter 8.

## 6.1 The crash landing process

The ideal type described as a crash landing process will here be described according to the tentative framework for understanding fading processes. Since a more detailed discussion is provided in Chapter 8, only main characteristics are brought up here. The portraits are thereafter presented.

### *6.1.1 Relationship roots*

The customers have often been pushed to enter the private banking unit by the previous local branch office (e.g. due to dissatisfaction with the services, the previous personal banker has left the local branch office or the personal banker has strongly recommended the customer to enter). Bad services, failure to solve problems, bad interaction with the personal banker, bad advice, not enough resources to handle the customer's activity etc. are discussed as factors that made the customer leave the local branch office. The economic climate has also been an important trigger, which has increased the customer's interest for wealth management. The customers had either gained much knowledge during a short period of time regarding wealth management services, or had used wealth management services for a longer time, but not gained much knowledge.

### *6.1.2 Relationship dynamics*

The turbulence of the process is the aspect that is most dominant in the stories told by the customers. Some of the relationships have started off very strong and then crash landed in a very weak relationship. Three of the processes described here have had turbulent *focal* relationships while there in two of the processes have been issues in the relationship *context* that have made it turbulent. In both of these relationships the problems have related to the local branch office used prior to entering the private banking relationship.

There have also been changes in the affective and cognitive components of the relationships. Even though the private banking unit is not to blame for the turbulence, customers are still disappointed with given advice or problem solving, dissatisfied, angry, upset or even showing sheer hatred. The negative affective and cognitive components are therefore not always reflecting on the private banking unit, but instead the bank group.

### *6.1.3 Drivers*

Some types of negative critical incident(s) or situation(s) have influenced the relationship crash landing, either residing in the focal parties of the relationship or something in the relationship context. The negative critical incidents are for example the inability to solve problems, lack of interaction, negative outcomes of advice etc.

### 6.1.4 Customer CRASH 1

- *Initial state of relationship*

The customer remembers entering the private bank when the personal banker at the local branch office recommended the private banking concept since the customer was very much involved in buying and selling securities. She introduced him to a financial advisor at the private bank she thought would match the customer well.

It was more or less a natural choice to enter the private bank since he had been a customer in the bank group for a very long time. The decision was also very much influenced by the personal banker (at the local branch office) at the same time as it seemed interesting to receive help from someone covering the market situation giving advice and guidance regarding investments. The customer perceived that the financial advisor understood these reasons since that is after all what the private banking service is all about. The customer regarded himself as very active even before entering the private banking unit.

> **Customer:** - Well, we could turn it around and say like this, during that time I was very active myself following intensely what happened on stock exchanges all over the world and so on. But I didn't do many business transactions, the ones I did were made with my contact person at the local branch office so to speak, but I followed things very tightly.

The customer doesn't remember talking much about expectations during the meeting with the financial advisor. It was rather the financial advisor who described how the private banking unit worked. The financial advisor wanted total control of and information on all business transactions made. The customer consequently expected that the financial advisor would have control of the situation. The financial advisor therefore took over all administration of accounts.

> **Customer:** - I thought it was great, it was very positive. After the first meeting when we sat down and talked it felt great and, like I told you, like… when she said that she rather wouldn't want me to do anything without completely discussing it with her, to avoid her losing her grip, it felt, wow, this is a true jackpot. Much more than I ever would have expected.

- *Relationship changes*

The customer perceived himself as being active in the beginning, not making continuous business transactions, but having contact through mail and telephone since there were small changes on the stock market. The financial advisor at the private bank was very active, keeping in touch and giving advice concerning investments. He thought of it as a very good communication where the bank contacted him if anything happened. The customer felt very positive in the beginning telling people that entering the private bank was the best thing he had done. He also perceived the bank as very positive, impressed by their way of always giving 110% and always being there for the customer, even if it happened that they made mistakes. The customer had the intentions to always stay in the private bank although other banks were in contact with him and he also looked at the offerings from other banks. The general impression of the relationship was very strong at that time.

> **- Were there anything preventing you from switching, if you had wanted to?**
> **Customer:** - No, I was even receiving attention from other banks and looked for, or looked for, I also found out about to some extent their offerings etc. not to lock myself in, since I had been using this bank etc. But I, no, I was in other words really satisfied. And that's maybe also why the disappointment was so deep when changes came. Well, it's like I said, I thought it was the best thing I had done. Even if it was, there was actually nothing revolutionary really. But still it was so good, I had someone to turn to, I had someone contacting me when there were the slightest changes. There was communication.

During the spring of 2002 the customer describes the relationship in the pilot study questionnaire as fairly weak, having become weaker. When discussing this he explains that he didn't receive any information, there was no commitment and no one contacted him whatsoever. The customer received daily mails sent out by the private bank and he also received other information material sent out by post.

> **Customer:** - […] But that's not the information I want, I want a reasoning concerning my own economic situation. Not every day, as I've said, but continuously. If that's one time a month or every six weeks, but not like now. Nothing has happened during the last six months.

The relationship had collapsed and was very weak. The customer perceived that things had been working out the first year, and thereafter just getting worse. He contacted the financial advisor after about two years telling her that things weren't good. He felt as if it was madness to throw away the money he had invested. It started with the recession, as the recession got worse, the less contact was made.

> **- Do you consider that there was a breaking point, going from this great relationship to this…?**
> **Customer:** - Its like I say, from the beginning, at the very beginning everything was great and then there was really no reason to stay in contact that much, because then everything just went on. Good advice, that's needed when times are bad and just lying and waiting and waiting and waiting and see things go down to half of what it was worth and even more, then, and she didn't contact me. Then I think, talking about these percentages like she did in the beginning. You should shift over to make it a bit better or a bit worse… then you're down on very small differences, but now when there are large changes downwards, then I hear nothing. That's what surprises me.

He was at this point of time really dissatisfied.

> **Customer:** - I was in other words really satisfied [in the beginning]. And that's maybe also why the disappointment was so deep when changes came.

The customer didn't however end the relationship to the private bank, although there was nothing stopping him. He thought it might get better and he liked his financial advisor.

> **Customer:** - […] and I really like NN as a person, she's a really good and really nice person in every way. And that's… that's really sad, unlike if it had been some grumpy old lady somewhere.

He believes that he would have reasoned differently about the weakening process if the private banking services had been for free. Since there is an annual fee and they have written down what should be included in the services, he regards the result as a delivery failure. The customer has been talking to one of the financial advisor's colleagues who reacted strongly. He feels however as if he has gone behind the financial advisor's back.

> **Customer:** - […] And it feels… it feels no good whining about NN like this because I like her in that way that she is really nice and like, but, I cannot… it's my finances, we're talking about hundreds of thousands.

The customer perceives lack of commitment as causing the situation. They have had contact fairly often, but the customer has always been the one initiating these contacts after waiting for a longer period of time without hearing anything from the financial advisor. The customer believes that it either has to do with the financial advisor having too many customers, or she just forgetting about it; he's not really sure why the situation has developed like this. The contacts today, apart from the customer calling the financial advisor, are mostly postal mails coming from the private bank with information he has to get acquainted with on his own. He has been talking to the financial advisor about this and expressed that he would like contacts to be taken whenever something occurs on the stock market related to his investments, but they have not had any contact during the last six months.

- *Relationship outcome state*

The relationship is today very weak, even worse than ever since they have had no contact during the last six months. The customer is completely passive since he has lost all interest and the financial advisor is also completely passive. The only information received is newsletters and magazines coming from the private bank. The customer's feelings are very negative and his perception of the private bank is the same. Looking at his intentions for the future he still has some hope.

> **- And your intentions for the future, do you want to switch as soon as possible or do you have intentions to stay or…?**
> **Customer:** - Well, actually I would have liked to do so, but at the same time since my commitment has reached the bottom line it's not getting any better either. I know commitment is called upon from me as well, but also that has reached the bottom line, it's hard to repair. It would in that case be to change my financial advisor instead.
> **- Do you think it is repairable, do you see any possibilities?**
> **Customer:** - Everything repairable, it's just a question of will. Since I'm still here, the faith must have been there.

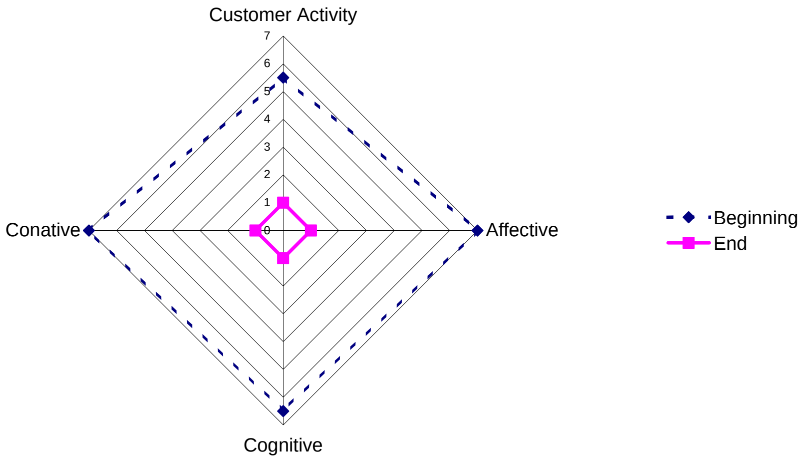


**Figure 19: Components of relationship strength, customer CRASH 1**

The customer is not satisfied with the situation, he finds it terrible and thinks that extra services such as the platinum credit card and the magazines aren't worth anything when the communication doesn't work properly; it rather appears as an insult. Looking at the future he thinks he will act, not through his financial advisor, but through her colleague. The customer has been asking himself if he has done anything wrong, turning it against himself, but after talking to the colleague he realises that his demands are normal and that something is wrong if there has been no contact during such a long period of time.

- *Financial advisors perception of the fading relationship*

The financial advisor describes that the fading relationship begun when the financial advisor noticed that the customer became less active during the spring 2002 at the same time as she felt unsure about the relationship. The spontaneous contacts weren't there any more, from both sides of the relationship. She took the initiative to have a discussion suggesting that they should try one more semester and evaluate how to go on after that. The strength of the relationship had weakened, but the financial advisor does not remember any specific time when she perceived the relationship as weaker for the first time, it was just something she noticed. She believes that there is a combination of things influencing the weakening relationship; the market situation, the customer's interest, the expanding of her own customer base, the diminishing of the capital invested due to the loss in value but also due to the customer's consumption and also issues linked to the customer's family situation. She thinks that the discussion she initiated was very positive and appreciated, where they sat down and talked about the problems that had aroused.

> **Financial advisor:** - Well, the positive sides of the relationship, and that's what NN also think, is when I called him and then we had a meeting and we sat down right away and got down to business, talking about the problems. He really appreciated that, and he talked straight from his heart about what he thought and felt, like. And that's how it has been all the time and it's like that still today although I think he will back out now and go back to so to say a personal banker relationship, but it's absolutely not that he's cranky or disappointed or something. But, it's more like he has done an evaluation for a while and, and thinks maybe that this concept isn't right anymore now… with the situation today. Then I've offered him since

> there is a colleague nowadays, if it should be any personal aspects on this too, but that's not what this is all about he has said but it's more what he may get out of the way of working as such. And that he maybe has other priorities today compared to at that time, two, two and a half years ago.

The financial advisor describes the course of events as a slow process, there is no special event causing the weakening process, rather a continuous downturn. She does not perceive the relationship as weaker today compared to when they had the discussion during the spring 2002, but however on a lower level compared to when they started off. The financial advisor thinks that the investments aren't as important for the customer, looking at time and interest, as they used to be before since he has less capital today making him less prone to take risks. She thinks that the customer is satisfied with the situation at the moment.

> **Financial advisor:** - […] But he's satisfied today, investing in interest funds and like, like he's feeling secure there, so he's completely satisfied in the present situation. That could change in a year or in a while, that's hard to know, but at the moment things are like that.

The discussion the financial advisor had with the customer was one way of trying to solve the situation with the weakening relationship, making a needs analysis over again, looking at the information he wanted, the type of contacts he wanted, contact frequency, previous problems etc. She thinks it important that the customer stays within the bank group even if he ends the relationship to the private banking unit, and she thinks that the discussion they had will make him at least stay within the bank group. The discussion also made the customer stay one more year giving the private bank a second chance to sort things out and if that doesn't help, she will respect the customer's decision.

> **- Is there anything you wish you would have done differently, looking back or do you think it has been working out well?**
> **Financial advisor:** - No, I guess I think things have been good, so I don't know what more could have been done. Well, in that case paying attention to this earlier than I maybe did. That's what I have to answer to, in that case.

She perceives the customer as passive today since the realisable assets make it difficult to do much business. The financial advisor believes that she is slightly more active, however on the passive side.

> **- Why do you think you are less active?**
> **Financial advisor:** - Well, I guess it depends on having been working for a year… you have to try to put the activity on such a level, partly because of the customer, but not to be perceived as nagging, calling and trying to put pressure on him. It's true that if you come up with proposals and advice and it's interesting, but there's never any business done, then you might have to slow down on things also. I would say that that's the most important reason to why I'm more or less active today towards NN than I have been before.

### *6.1.5 Customer CRASH 2*

- *Initial state of relationship*

The customer entered the private banking unit since the personal banker at the local branch office was sick and had to stop working for a longer period of time. They had been very satisfied with her services and had built a strong personal bond to her. A new personal banker replaced the old one, but they were not satisfied with her manners. At the same time they wanted more activity and better advice. They did not believe that the former personal banker would return to work and started to look for alternatives.

Since they already were customers in the bank group it felt quite natural to enter the private banking unit so they did not compare different alternatives. Their expectations focused on growing the capital:

> **Customer:** -Well, we probably had expectations… since the stock exchange started to go down, we thought that it would be possible to get better advice. It was difficult to adjust to the slower speed since the stock exchange had been going up very much for some time and then when it started to go down, we thought we'd get some better advice and so on.
> **These expectations, what kind of expectations were they?**
> **Customer: -** Well, that he would be able to make better investments for example. That we would be able to make more out of the capital we had.

- *Relationship changes*

The general impression of the relationship was at the start strong. They hoped that the financial advisor would have even more knowledge than the previous personal banker regarding investment advice. Due to the economic recession the customer wasn't however very active in the relationship to the private bank as he felt that there weren't many options due to the market situation. The financial advisor was, according to the customer, completely passive and never contacted them, but was always helpful when they contacted him. The feelings towards the bank became negative since they did not have much contact, but the customer believes that there wasn't much to do on the other hand. They got the feeling that the financial advisor did not know even as much as the previous personal banker about investments and they perceived the competence as rather low and the cognitive perceptions of the private bank were somewhat negative. They did however plan to stay in the relationship, but wouldn't say that it would always be that way, rather a neutral attitude concerning future intentions.

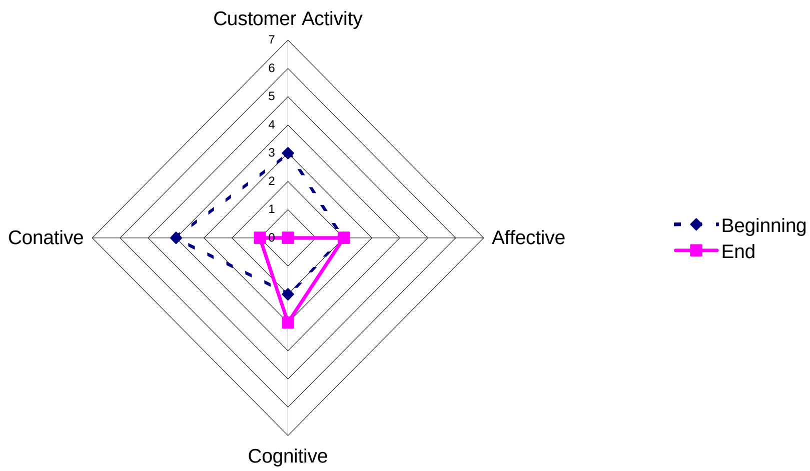


**Figure 20: Components of relationship strength, customer CRASH 2**

They did however finally come to the conclusion that they had to end the relationship to the private bank. There were primarily two issues that influenced their decision: the falling stock exchange and an incident with a credit card during a trip abroad. Due to a credit card limit (which they had decided on themselves), they weren't able to use the credit card. The credit card company stated that they had to apply for changing the limit, which would have involved a long bureaucratic procedure. Despite constantly trying to get in touch with the financial advisor at the private bank nothing happened for three days making the customer more and more angry.

> **Customer:** - We finally e-mailed again and at that time he understood that I was pissed off. I think we also told him and then he said: "we were just about to take away the limit. I was thinking about you at this very moment." That's just what he always used to say.

The credit card incident took about a week to settle. They talked about ending the relationship during the summer, and took the decision to terminate the relationship before the end of the year when coming home from the trip which caused the credit card incident in September. They had also been in contact with the former personal banker who had recovered from her medical condition and welcomed them back to the local branch office after hearing about the problems with the private banking unit.

The general impression of the relationship was at this time very weak and the affective components of the relationship strength were weak due to the dissatisfying experience with the credit card and the poor handling of the incident. The cognitive components of the relationship strength had also weakened. They had simply not performed the services well enough because of the absent financial advisor interaction during the market recession and also the credit card incident taking a week to solve. The relationship could be described as a downhill slope where it finally had no substance leading to a termination.

> **What did you perceive as the main reason for…?**
> **Customer:** - Well, there were a lot of things, a lot of things. The main reason was probably that we didn't have any use of it [the private banking services]. There weren't really many possibilities really. The stock market went down and we had to secure what was left to save.

- *Relationship outcome state*

The customer is today satisfied with the local branch office and it works out well, just as it did before the personal banker got sick. The customer does not think that he would go back to becoming a customer in the private banking unit again since he does not believe that the financial advisor had the competence to properly take care of their capital. Entering the private bank in an economic downturn was bad timing at the same time as they needed someone to help them.

> **Customer:** - I think that… it was a bad time to enter. It might have been better if it wasn't… it was a difficult situation and we felt a bit, we were a bit, we experienced a void, so to speak, since the former [personal banker] got sick and we had nobody.

- *Financial advisors perception of the fading relationship*

The financial advisor believes that the customer terminated the relationship to the private banking unit due to the costs involved with the annual fee since he does not think that the customer got what he had expected. The financial advisor perceived the problems related to the credit card as a positive incident. The customer had misinterpreted the conditions governing the credit card limit and the private banking unit was able to help them sort out the problems. He remembers on the other hand that the customer had experienced that the bank was not able to give information on a proposal which he thinks was perceived as dissatisfying by the customer.

The financial advisor does not think that the relationship strength changed very much from the initiation of the relationship until it was terminated, it may have become a bit weaker towards the end since they did not keep up the dialogue they had at start. He believes that the customer may have lost confidence in the private bank and that he may have been a bit dissatisfied towards the end.

The financial advisor tried to talk to the customer when he realised that they were leaving, but realised after a while that the private banking concept maybe did not suit them. He reflects back on the initiation of the relationship.

> **If looking back, could you have done something differently?**
> **Financial advisor:** - Yes, I think so […], the presentation of the private banking unit, it's better to keep it down a bit, ask open questions, in order to make the customer talk more. I think I did do that in a way, but it was to a large extent this hunt to get a contract also. So I think we could have done things differently, not promising so much, but instead promise less and deliver more, I think.

### 6.1.6 Customer CRASH 3

- *Initial state*

The customer entered the bank with a damaged trust towards financial advisors in general. He had experienced a range of problems with previous advisors and thought it would be different with a fairly large and stable bank group behind the private banking unit. He communicated the lack of trust to the financial advisor in the private bank and told her about the previous experiences. The customer had initially asked for another financial advisor, but the request couldn't be fulfilled since this financial advisor already had enough customers to manage.

The customer expected quite much from such a large organisation where the financial advisor would be a person performing the decisions taken by experts on central level. He wanted to end the downward trend he had experienced with his investments and talked about this with the financial advisor.

- *Relationship changes*

The customer did not feel very much confidence in the financial advisor, perceiving her as too anxious about making mistakes on the one hand, but also changing opinions quite fast. The general impression of the relationship was weak from the very beginning and the customer acted very passive. Due to the scepticism towards investment advice, he wasn't very keen on throwing himself into buying and selling securities right away. The customer entered the private bank during the spring, but did not have a meeting with the financial advisor until October. He did not believe that the financial advisor was very active either, rather taking a neutral or almost passive role. The customer felt as if the financial advisor did not completely have an understanding of his needs and what he wanted to achieve with his portfolio. His feelings towards the private bank were initially slightly positive although he had this distrust towards financial institutions in general. He thought it couldn't get worse than it had been and hoped for changes. The financial advisor didn't however seem to be very competent, making the cognitive components of the relationship weak. He had quite neutral intentions for the future.

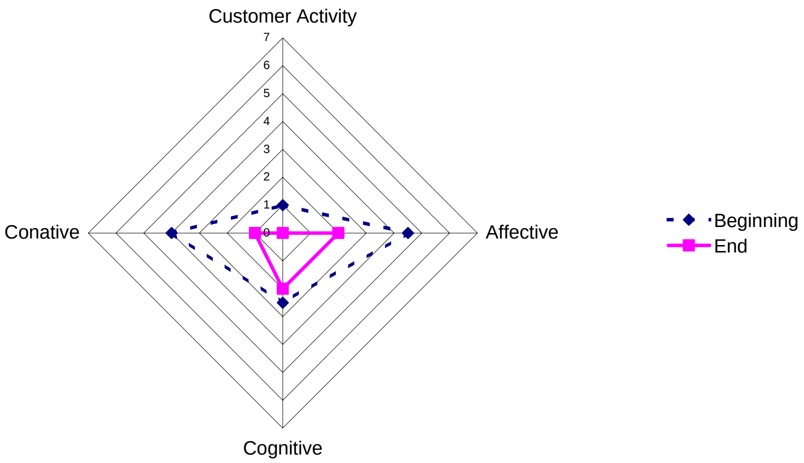


**Figure 21: Components of relationship strength, customer CRASH 3**

The financial advisor had during a meeting in the spring advised him to sell funds in another bank and buy funds in the bank group instead. When meeting with the financial advisor again in the autumn, they talked about selling the funds. The customer got very worried about the situation on the stock exchange since he perceived the financial advisor as somewhat nervous about the future.

> **Customer:** - Well, from the beginning I was very pessimistic towards selling the funds, I know… I was, but when meeting in the beginning of October, she repeated the discussion about selling the funds. And then I was… and the stock exchange trembled one time, and then I thought… well, she thought the stock exchange could continue downwards and then I suddenly saw a profit becoming a loss. There is nothing worse than when a profit becomes a loss, so OK, I'll sell. But I had no clue if she had followed my holdings so I expected that she would go through and look at the amount of profits and losses, and it was nearly more profits… more losses than profits. So I think she should have said, no, this, this doesn't feel good. She should have… I was myself very passive, so she could have told me anything without me reacting to it.

The financial advisor sold the funds and after a couple of weeks the stock exchange started to grow stronger and the customer perceived the news reports as if the growth was expected. After about a month the financial advisor called him and said that things didn't look good. The customer didn't want to get back into the stock market again, so they decided to stay outside the market and instead keep the money on an account.

The relationship was now very weak and the customer felt very annoyed. After the proposal to start buying stocks, they didn't have much contact except for a few phone calls and the customer bought some securities. The relationship weakened very fast with the growing stock market. The customer felt paralysed. When the stock market had grown 30% the customer became boiling with rage and told the financial advisor what he felt and said that the relationship was over.

> **Do you think that she, or the private banking unit, noticed that you were leaving?**
> **Customer:** - I think so, because I yelled at her for an hour, so I guess she understood things were serious.

The customer felt bitterness and perceived it as a knockout; the selling of the funds was the last straw. He couldn't understand that he had sold everything after all these years of hanging on to the funds. His affective and his cognitive components of the relationship strength were very weak based on negative feelings and thoughts about how the process was handled. He perceived the financial advisor's competence and way of interacting with the customer as bad. He realised however that they probably acted according to some strategy. He regrets entering the private bank since it turned out to be a very bad timing.

- *Relationship outcome state*

The customer is today using a local branch office and he has decided not to enter the stock market ever again. Since he will not sell or buy stocks he may just as well stay within the bank group. He has had no contact with the private banking unit and does not think that he would go back to using them again.

> **Customer:** - For those who entered at a bad time, it was a disaster. To me it was anyway… private banking was a catastrophe. And that… I won't ever forgive them

- *Financial advisors perception of the fading relationship*

The financial advisor noticed that the customer was very negative towards the stock market and financial advice in general already from the beginning of the relationship. She believes that the selling of the funds was the main reason why the customer left the private banking unit, but emphasises that the customer took the decision to sell the funds; she only executed the customer's will and perceived him as very convinced when taking the decision to sell. There was not much she could say about it.

> **Financial advisor:** - […] and there was nothing to discuss, so to speak, I got an assignment to sell and so we did. And I said, well, this does not really go in line with the things we discussed, [and the customer said] "No, but I'm so tired of the market now and I want to get out"

The customer got very upset when he realised that the stock market went up after the sale, which the financial advisor believes triggered the termination of the relationship. She had a discussion with the customer where he maintained that the financial advisor's anxiety about the stock market had made him sell the stocks, even if she hadn't exactly told him to do so. The financial advisor does however not perceive it the same way. They had a plan and the customer made a decision that deviated from that plan.

The course of events happened very fast and the decisions were made very quickly. The customer ended the relationship shortly after the selling of the funds and the financial advisor noticed that the customer stated very negative feelings, he was not open to arguments on how to solve the situation. She still does not think that the relationship had really become weaker since she had tried to solve the problematic situation that came up. Looking back, she wishes that they had followed the plan. She still believes that the customer is a very suitable private banking customer and would welcome him back if he wished to re-enter, but she is not sure that he would be open to such a suggestion.

### *6.1.7 Customer CRASH 4*

- *Initial state of relationship*

A financial advisor at the private bank contacted the customer during spring 2001. They knew each other from previous contacts through the customer's company. She had been a customer at local branch office since the end of the 80s, and started several prosperous companies. The companies currently experienced some bad years and the local branch office had completely changed their attitude towards her. She was no longer a valued customer. She needed at the same time someone to help her look after the private economy, so she decided to enter the private banking unit. All issues related to her companies were however still handled by the local branch office.

The customer wasn't very sure about what to expect from the private banking unit; she was more or less just pleased with finding a solution to the problems related to the local branch office without switching bank. The financial advisor made it possible for the customer to continue using the bank group without having to deal with the local branch office.

> **Customer:** - Well, they [the local branch office] changed to a new office manager and new personnel, and they were, to put it bluntly, you are welcome to record it, miserable people. They were true bank bureaucrats who never had been out in reality, ever. Strong words, but they must be said out loud.

- *Relationship changes*

The customer perceived the relationship as positive and he liked the financial advisor who was a nice and pleasant person and not only looked after the customer's but also the whole family's situation. She perceived herself as quite passive in the relationship. She liked the possibility to pick up the phone and get things done, but she did not participate much in events and seminars she was invited to. The financial advisor was more active and they had a very good and serious contact. The customer's affective components of relationship strength were neutral, leaning towards strong. Her feelings towards the private bank were slightly positive and the financial advisor made a good impression from the very beginning. The financial advisor's competence was high and he was always keen on properly answering questions and searching for answers if they did not have them right away. They behaved in a professional manner making the cognitive components of relationship strength high. She absolutely planned and had the intentions to continue using their services.

> **Customer:** - Yes, yes, yes, yes, yes, I definitely wanted to stay. Switching banks is a rather large and difficult job very often. In any case if you, like me, have quite many other activities going on [companies]. So, there are not only private issues, but a whole lot other things following also. So I had absolutely no plans to switch bank.

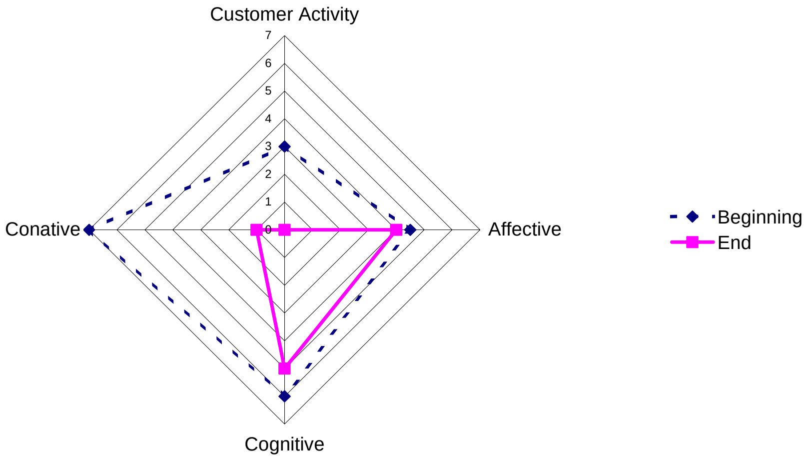


**Figure 22: Components of relationship strength, customer CRASH 4**

As the economic recession continued the new manager at the local branch office however forced the customer to come up with a solution to her problems. They told her that she personally had to take over all debts related to the troubled companies, and wanted her portfolio as a security. The customer perceived the local branch office as having set their mind. They were not open to discussing other types of solutions. They called her before Christmas and told her that all issues related to her debts had to be settled right away through selling the securities making up her portfolio. They weren’t ready to listen to her solutions. The customer perceives that the financial advisor couldn’t do much to settle the dispute; he got caught in between the parties.

> **Customer:** - This financial advisor, he saw and he understood that there were solutions to the problem, but he quite simply got run over by his branch office or the regional manager or who ever decided to do this.

The customer realised that she had to end the relationship to the bank group and also to the private bank. She had been thinking about it for about a year or more and felt that the general impression of the relationship to the bank group slowly became weaker. During this time she felt that her behaviour towards the local branch office had become more and more unpleasant, not to talk about her feelings towards them, expressed as sheer hatred. The call from the local branch manager made her take the decision. The only thing that had been keeping her from switching bank group completely was the relationship to the private banking unit.

The customer perceived it however as somewhat strange that the financial advisor at the private bank couldn’t act with more power, arranging a meeting where they could discuss issues and come to a solution. The customer wishes that the financial advisor had acted with more power on these issues. The customer felt however as if the financial advisor sometimes didn’t dare to express what he thought on the telephone as all telephone calls were recorded.

The customer's relationship towards the private bank and the financial advisor did however not change very much; she had the same general impression of the relationship. Her affective components had however turned more neutral towards the end compared to the positive feelings in the beginning; she was a bit disappointed that he couldn't do more to reach a solution with the local branch office. She perceived however still the financial advisor as competent, nice and capable, which made the cognitive components of the relationship strength to the private bank still quite strong.

- *Relationship outcome state*

The customer finally reached a solution. After a couple of meetings with another bank, she decided to switch. The new bank was open to discussing solutions, and they agreed on a plan that both parties felt confident with. She does not see any possibilities today that she would go back to being a customer in the private banking unit due to her bad experiences of the bank group. But, if the former financial advisor showed up as a branch office manager, she would gladly come back. She didn't like leaving a good financial advisor.

- *Financial advisors perception of the fading relationship*

The financial advisor perceives the troubled relationship to the former local branch office as the main reason for the customer to terminate the relationship to the private banking unit. He could not do much about the situation under the circumstances that prevailed which made his role a bit passive. Since the relationship to the local branch office was troubled, he took care of the dialogue between the parties.

He could only give suggestions on how to make the situation better, not solve the problem. The financial advisor perceived the relationship to the customer as very strong all along the process; he does not think that the relationship would have been terminated if it had not been for the problematic financial matters that had to be settled.

The process of ending the relationship happened quite fast. The customer had found another bank that offered her a better solution to her situation, which led to a switch. The financial advisor was not surprised when it happened, and does not think that he could have handled the situation differently since they had a very good relationship also when it ended. He would gladly welcome the customer back, if she would be open for such a suggestion.

### *6.1.8 Customer CRASH 5*

- *Initial state*

The customer entered the private banking unit when the local branch office was closed down. A couple of years previously, he had inherited a larger sum of money and had been in contact with several financial institutions about that time. He was very satisfied with the previous personal banker and when the local branch office shut down, he had a meeting together with the personal banker and a financial advisor at the private banking unit. He decided to let half of the capital be administered by another financial institute while the private bank managed the rest. His interest for securities was the main reason for entering, and he regarded the annual fee as fairly ok considering the information through fax every morning, newspaper reports and the access to the financial advisor. Access to the advisor was important since he had experienced a relationship to another financial institution where the advisor was always busy.

- *Relationship changes*

Although he was really satisfied with the first financial advisor always having a positive feeling when calling him, he had the impression that the relationship to the private bank wasn't strong, rather normal since he also used another financial institution. His activity was rather high in the beginning calling and asking for advice, gathering information about securities, company acquisitions, issues of shares etc. The financial advisor was equally active searching for answers to the customer's questions and giving advice. He perceived her as competent and skilled and easy to reach.

> **Customer:** - Well, she tried to find out about things. If I was about to buy some strange IT shares, really small, she learned about them and called her traders and called back if she didn't have the answers herself. She was actually really interested in stocks and took personal interest in many of them. But sometimes I brought forward something odd and asked, what do you think? So… she was always very keen on following up and always very nice and friendly and so on.

Looking at his intentions for the future, he saw the private banking services as something he wanted to try out for a while, but he did not know whether he would stay or not. The first financial advisor went on maternity leave after about 1.5 – 2 years. The financial advisor replacing him was also nice, but not as knowledgeable as the previous one, which the customer perceived as somewhat unprofessional also reflecting back on the bank group. No one at the bank group was able to answer some of the questions he asked, and when calling the financial institution administrating the other half of his capital, they had the answers right away.

An incident related to the former local branch office influenced the relationship to the private bank and the bank group considerably. A payment on a loan was drawn from an account although the customer had talked to the bank in advance asking them to postpone the payment for two weeks. It resulted in an account overdraft and all bill payments were cancelled followed by reminders and threats of collections of debts. The customer had to put much energy into putting things back to normal and had a meeting with the manager of the local branch office. She promised to set things straight, but never did. The financial advisor tried to help, but couldn't do much about it.

The general impression of the relationship had at that time become weaker, partly because of the private banking unit and the financial advisor, but mostly due to the local branch office's bad handling of the loan incident. The private bank's inability to act and settle the problems did however influence the relationship.

> **Customer:** - Well, it wasn't really the private bank or the man [the financial advisor] I was angry with, I was angrier with that damned manager of the local branch office. I don't know if it is possible to burden the private banking unit for not confronting her more clearly. They should of course have had a manager, giving the manager a telling off. But it seems as if they don't have that type of managers. I don't know.
> **- So you could say that it was an external factor?**

> **Customer:** - Yes, very much. That, plus the fact that they weren't professional enough at the private banking unit.

His feelings for the private bank had become negative influencing the affective components of relationship strength along with the cognitive components. The customer did not perceive of the private bank's abilities and professionalism as very positive. He would never recommend any of his friends to enter the private banking unit paying the annual fee. He claims that he got much bad advice on specific shares and funds performing below average compared to other banks. He emphasises however that he has problems keeping his negative feelings regarding the bank group separated from the private banking unit. The incident with the account overdraft made him very embarrassed.

> **Customer:** - I felt very insulted in stores where I usually make my purchases and they say: No, there is no money in your account. Since I'm used to being considered a reliable customer and then all of a sudden, you're completely unreliable. I just didn't get what was going on.

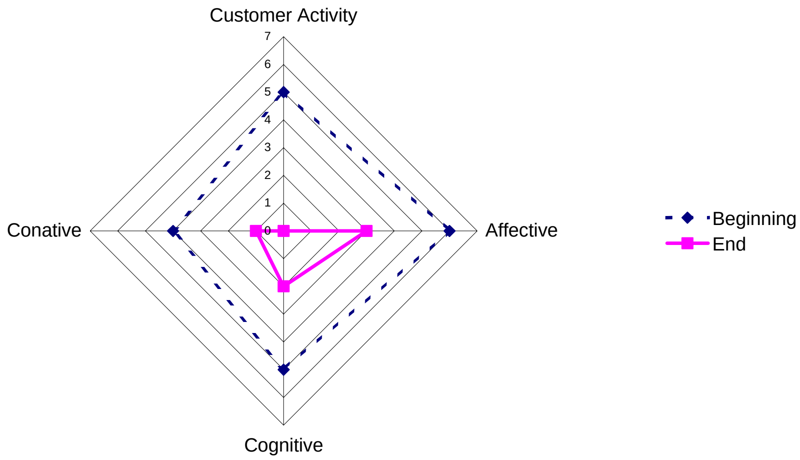


**Figure 23: Components of relationship strength, customer CRASH 5**

Some time after the incident with the account overdraft he had a conversation with the financial advisor. The financial advisor asked him about his credit card and informed him that he had the right to a platinum credit card. The customer wasn't aware of this service and got a bit upset that no one had informed him. That's when the thoughts about leaving the bank started. Prior to ending the relationship the customer became more and more irritated at the fact that the private bank wasn't able to provide him with answers to questions he asked, which made him question the annual fee. His interest for securities had weakened due to the economic recession and he didn't want the morning faxes sent to her since they only contributed to a constant changing of the ink cartridges due to a black heading. He didn't read the reports and newspapers sent out to him either.

The final incident causing the termination took place one year after the first one when a similar situation to the first account overdraft came up when many bills were to be paid and the private banking unit draw the annual fee from the account. He terminated the relationship to the private bank right away. The annual fee drawn from the account made him take the decision but he adds:

> **Customer:** - Well, yes, plus the fact that the local branch manager never set things straight. I mean my financial advisor at the private bank thought it was really bizarre, but he couldn't do much about it. I don't know to whom I should turn. It's rotten; I think it's really rotten. I just talk crap about the bank group. I cannot even see that the bank has any grounds for existing. It's just a load of… Well, it's unprofessional, high fees and failures all the time.

- *Relationship outcome state*

The customer is today using a local branch office but is looking for a new financial service provider. He is not only planning to invest his own capital elsewhere, but also another relative's capital. He adds however that it felt somewhat unfortunate to leave the last financial advisor as he was always ready to help. He does not think that he would switch back to the private banking unit, since the annual fee is too high with regard to the services they offer.

- *Financial advisors perception of the fading relationship*

The financial advisor believes that the first incident with the failing payment and the following hassle trying to bring clarity into the consequences of the overdraft influenced the customer very much in his decision to end the relationship. The customer was at the same time about to buy an apartment, which may have been stressful and furthermore influenced the situation.

The financial advisor thinks that there may also have been some issues related to the private banking relationship that may have influenced the situation, for example an incident when the customer did not receive the type of information he needed and became dissatisfied with the services. The relationship was, other than that, good.

> **Financial advisor:** - He was satisfied with what I had done, since we had an open dialogue, so… I felt as if the relationship was very good.

He noticed that the customer became very annoyed about the situation with the account overdraft and when the same situation came up again one year later when the annual fee caused an account overdraft, the customer told him that he wanted to end the relationship. Things happened quite fast after the second incident. The customer became very angry and ended the relationship. Looking back, the financial advisor admits that he could have been more explicit towards the manager of the local branch office and really made clear that everything had to be settled.

## 6.2 The altitude drop process

The ideal type described as an altitude drop process will here be described according to the tentative framework for understanding fading processes. Since a more detailed discussion is provided in Chapter 8, only main characteristics are brought up here. The portraits are thereafter presented.

### *6.2.1 Relationship roots*

The processes described as altitude drop processes incorporate customers that have had quite much knowledge about wealth management services prior to entering the relationship with the private banking unit. The economic climate has been an important situational trigger, but they have not have particularly dissatisfying experiences with the previous local branch office to the same extent as the customers describing crash landing processes. The customers in this type of fading process have also been active in searching for providers of financial services prior to entering the private banking unit. It was the attraction of the private bank that made these customers enter, rather than repelling factors related to the local branch office.

### *6.2.2 Relationship dynamics*

The altitude drop process is characterised by a smooth process. This does not necessarily mean that the fading process happened gradually. It is more related to the customers' perception of the course of events. The altitude process could be described as a bump in the road or a natural decline in relationship strength. The general impression of the relationship has not been influenced very much during the fading process. The customers do not express very much negative affective or cognitive components of the relationship strength, but reports instead weakening behavioural components of relationship strength, such as a lower interaction frequency, lower amount of transactions made etc.

### *6.2.3 Drivers*

Some of the relationships have been terminated while others have regained strength and continued. Both relational and contextual factors may have influenced the fading process. Four of the smooth processes have primarily been influenced by the relationship context while one of the processes has been influence by the focal relationship itself. The value of the relationship has been weakening during the fading process. The customer's do not perceive that they have had as much use of the services offered during the fading process, as they had prior to the fading.

### *6.2.4 Customer ALT 1*

- *Initial state of relationship*

The private bank contacted the customer since she was a privileged customer at a local branch office in the bank group. Other banks and financial institutions also contacted her and she had meetings with some of them. She decided however not to switch to another bank since that would involve a realisation of profits or that she initially would have to use two different banks. Compared to the local branch office, the private bank offered extra benefits where safe-deposit box, credit card, VIP lounges etc. was included and influencing the decision to enter to some extent.

The customer's expectations were based on previous contacts with other private banks and she expected to find high-class funds and other investment instruments. The customer had experienced a varied quality among previous advisors at the bank getting bad advice also during the economic boom.

> **- OK, what type of expectations did you have, what did you want to achieve?**
> **Customer:** - Well, like, above all to find good funds and other instruments so to speak, to manage the capital the best way possible. Then I had some mixed experience from earlier advisors, being a priority customer in the bank group, and that was… that's why I had this meeting with bank A [another bank], because… well, they were of varying quality I think.
> **- What do you mean by that?**
> **Customer:** - Well, bad advice quite simply, even during good times so to speak.

- *Relationship changes*

The customer describes the general impression of the relationship as quite strong in the beginning. The customer perceived herself as passive when entering the private bank having contact with the financial advisor about one time/month. The private bank was more active making both the behavioural as well as affective components of the relationship strong as she was very satisfied with the relationship. The financial advisor always assisted her no matter what she asked for. Her perceptions of the bank were also positive, except for a low quality on statements and computer-based issues, which she had been complaining about.

> **Customer:** - Well, I mean if I am doing a lot of transactions I get maybe, I'm just guessing but maybe four, five envelops with different types of compilations, very hard to grasp, like before income-tax return I have a pile of papers, considering that I don't have many funds and stocks… and then I may compare because I have portfolio management with two other institutes and from there I get one or two papers giving me all the information I need.

She had no intentions to switch bank at all; rather she meant to always stay in the bank and there was nothing that prevented her from switching even if she would have wanted to. During the spring of 2002 however she stated in the pilot study questionnaire that the relationship to the private bank was fairly weak. When discussing the situation, she states that the changes in the relationship were very small, but somewhat weaker. The customer and the financial advisor didn't have much contact since most of their contact was based on fund management and the customer took care of all portfolio management elsewhere. She didn't however have any thoughts about leaving. The stock exchange was the only influencer on the slowly weakening process. Besides a slightly weaker behavioural component of relationship strength, there were no changes.

> **Customer:** -Well, it's true that I got some bad advice, I have of course lost some money due to the advice I've got the last two years, but it doesn't matter if I had chosen another bank, I would have got the same bad advice, so no, there have been no changes.

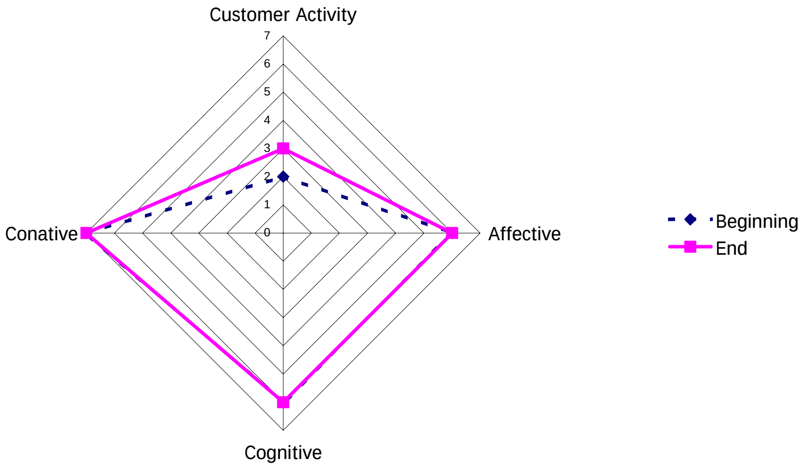


**Figure 24: Components of relationship strength, customer ALT 1**

- *Relationship outcome state*

The customer states that her feelings towards the bank have remained positive throughout the process and that the intentions to stay were not influenced by the fewer contacts. She might even use more services offered by the bank in the future. She is today still a customer in the private bank and perceives the relationship to be the same as when entering the private banking unit. She is a bit more active today whereas the bank has stayed at the same level of activity as before. Looking at the affective and cognitive components of relationship strength there are no changes and she still intends so far to stay although she is even less tied to the bank today. The unwillingness to realise profits, that prevented her from switching bank before, does not exist today.

> **- Is there today anything preventing you from switching bank? Do you feel tied up?**
> **Customer:** - No, I'm less tied up today compared to before, but I don't have any plans, it's however not impossible that it will happen, but I don't plan to switch today. But, on the other hand, if they change conditions in any way, then I might consider switching.

The customer is today also using other banks, mostly due to administrative reasons. She doesn't think much about whether she is satisfied or not with staying in the private bank, she claims to be too indolent to be able to deal with it.

- *Financial advisors perception of the fading relationship*

The financial advisor noticed that the relationship had changed when there wasn't much happening in the relationship to the customer during the spring 2002. The financial advisor would maybe not call it fading, but perhaps not developing either. There were no changes in the strength of the relationship, but the financial advisor thinks that he didn't put enough time into the relationship as he would have wished. After some time he helped the customer with a more complex question, not related to capital investment. He felt that the customer also had confidence in him dealing with these matters and experienced that they communicated a lot during this time. He thinks it might have had a positive effect on the relationship, although it wasn't bad before. There is nothing he thinks that he should have done differently, even if he would have been more active in the relationship he doesn't think that would have changed the customer's perception on the invested capital.

Today the relationship works quite fine, the customer is not the type of customer sitting around discussing private matters, but the financial advisor notes that the customer is grateful for the help he has received. The financial advisor perceives the customer as less active today, leaning towards the passive side depending on the market situation. He perceives however no changes in the relationship, more as if the customer is somewhat locked-in and cannot do much about his investments due to the recession. The financial advisor thinks also of himself as more passive today, more or less just sending the customer some news letters. He is careful with not being perceived as being too keen on selling. Looking at the future the FA believes that the customer will stay both in the private bank and in the bank group.

> **- What do you think about the future, do you think he will stay or… ?**
> **Financial advisor:** - Yes, I think so, she is probably an old faithful customer who's not leaving neither this private banking unit, nor the local branch office or anything, so I think it has worked out quite well. She knows also, like many others, that the market isn't better even if you're a customer in bank A or here.

### *6.2.5 Customer ALT 2*

- *Initial state of relationship*

The customer entered the private banking unit following the recommendations from a local branch office. He was already actively buying and selling securities and wanted to get in touch with experts working only with wealth management. His expectations concerned more stable and distinct information about the stock market and he was quite simply interested in wealth management in general. Since he had been using the bank group both privately and within his business, he didn't look for other alternatives on the market.

- *Relationship changes*

The customer's general impression of the relationship was quite strong in the beginning due to the private bank's way of taking care of its customers, invitations to meetings and other things giving attention to the customer. Even before entering the private banking unit, the customer was actively buying and selling securities influencing his perception of his own activity in the private banking relationship as rather neutral while he perceive the bank as passive in the beginning since the only advice he got was to stay with the securities he already had and do nothing. His affective and cognitive components of relationship strength were strong. He had positive feelings towards the bank and also positive perceptions of their level of knowledge and the type of information available at central level. When entering the private banking unit he had the intention to stay within the bank, but the recession on the stock market changed the plans.

Despite an even stronger general impression of the relationship strength to the private banking unit, the relationship was nevertheless terminated. Due to the weakening stock market, the customer had set a limit about half a year or a year before the termination. If the capital went below this limit, he would sell all securities and terminate the relationship.

> **Was there any triggering event influencing the decision to terminate?**
> **Customer: -** Yes, I had a limit on… on what would trigger it all, well a monetary level, and then it went under that level, and then I sold out.

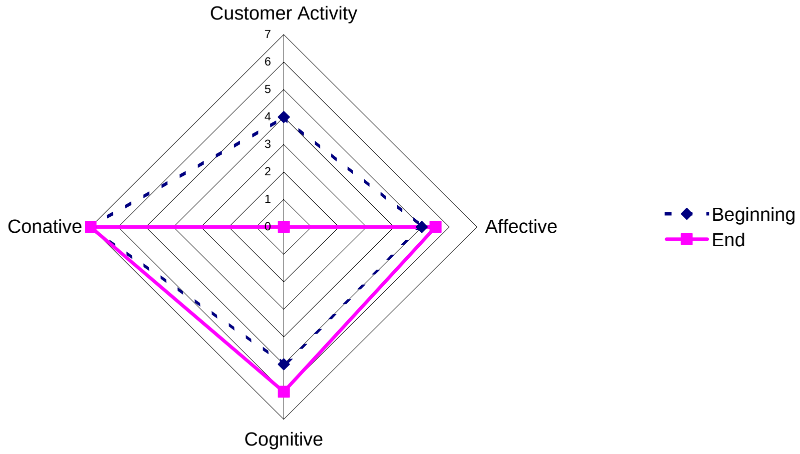


**Figure 25: Components of relationship strength, customer ALT 2**

When the limit was passed the course of events happened very fast, everything was settled within two weeks. The customer perceives however no downward changes in the relationship to the private bank; the general impression was rather slightly stronger when terminating it. Affective, cognitive and conative components of the relationship strength were strong. The customer still had a positive feeling towards the private bank. Looking at the cognitive aspects of the relationship the level was the same or slightly more positive, and he does not perceive the private banking unit as worse than any other bank and is open for a future relationship. He states on the contrary that they are competent and are doing a good job regarding for example analyses of the stock market. He believes however that banks in general have made a large miscalculation.

> **Customer:** - Well, really, they thought this recovery [on the stock market] would happen, long, long before. Three years ago or something like that, following the previous pattern, but it didn't, it just kept on going down.
> **- Ok, so you mean that X [the bank group] or, well…?**
> **Customer:** - No, but it's… they have, the banks and nearly all opinion leaders have believed that the boom would happen sooner. That's not something only X [the bank group] has believed in. But, the competence is however very good in X [the bank group] looking at what happens besides that, analyses, and things like that.

- *Relationship outcome state*

He is today using a local branch office within the bank group and states that he is satisfied with their services. The customer believes that he could enter the private banking unit again when he starts trading securities more actively, but at the moment they do not serve any purpose. He does not consider the fee to be high, but rather unnecessary since he does not need their services for the time being.

**-** I'm not unfamiliar with the thought of coming back again, if I become more active on the stock exchange.

- *Financial advisors perception of the fading relationship*

The financial advisor perceives the relationship as with the customer as good throughout the whole process, but admits that it became weaker as the customer became less active towards the end. He distinguish the fall on the stock market as the main reason for the customer to end the relationship since he thinks that the customer did not see the value in continuing using the services when he had sold all securities.

**Financial advisor:** Well, it's hard to grasp, in many customer relationships, when you notice that you get no response when giving advice and so on and it's not followed-up and then you give more advice and then there's still no following-up, no, it's hard to keep a good dialogue, and unfortunately you're that kind of a person that hesitates and doesn't dare push the issue.

The financial advisor took notice of the customer asking about the annual fee which he saw as a signal of the customer starting to think about leaving. They had a discussion on the value of using the private banking services, and the financial advisor also recommended the customer to go back to using a local branch office, if he didn't perceive that the value of the services was good enough. The process of terminating the relationship happened fairly quickly when the customer had decided to do so. But there was no hard feelings when doing so, there was a mutual understanding underlying the ending of the relationship.

The financial advisor describes the relationship as smooth, but not necessarily very close. The change he noticed during the process was the somewhat more nervous attitude the customer had towards the stock market in the end of the relationship. He understands however this attitude since it involves large sums of money. The financial advisor admits that he could have put more energy into keeping the relationship alive, but thinks on the other hand that it is possible that the customer comes back to the private banking unit if the financial advisor succeeds in keeping the dialogue despite the ending of the relationship.

### *6.2.6 Customer ALT 3*

- *Initial state of relationship*

The customer had used the services of the bank group her entire life before entering the private bank. Due to family ties, she felt a very strong emotional attachment to the bank group. She entered the private banking unit when she needed money to build a house and didn't want to take a mortgage loan. She decided to sell some securities and contacted a financial advisor within the private bank whom she knew from before. The financial advisor presented the private banking concept to the customer, and she decided to enter. The customer wanted foremost a person with whom she could discuss issues related to investments. She was quite actively involved in these issues herself, but had no one to discuss the matters with. Her expectations about the private banking services were based on the information she got during the meeting with the financial advisor. She mostly expected to be able to sit down and discuss advice concerning possible investment ideas.

- *Relationship changes*

When entering the private banking unit, the customer didn't really perceive many differences between the private banking services and the services she had received at the local branch office. The general impression of the relationship to the private banking unit was initially rather neutral but nevertheless more to the strong side.

> **Customer:** - Yes, well… it's rather difficult… I would like to state that this emotional bond more or less was gone, it wasn't present, and then it came to trying to look at things from a business perspective to the extents it's possible to take a business perspective.

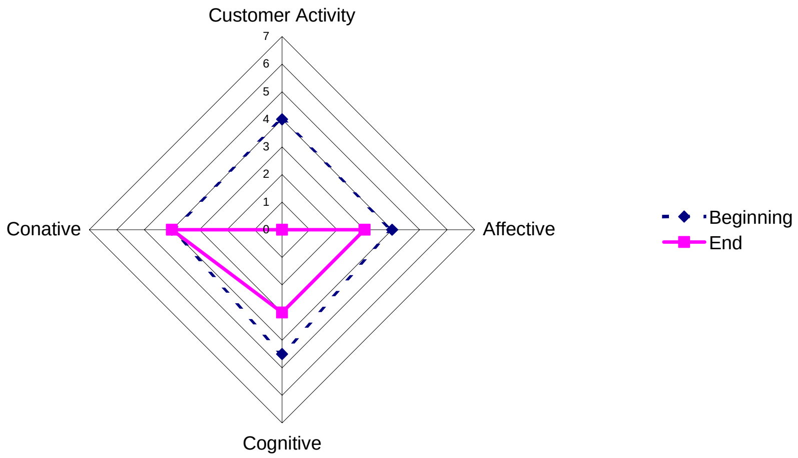


**Figure 26: Components of relationship strength, customer ALT 3**

The emotional bond she is referring to comes from having been a customer in the bank group and the bank group's former constellations since childhood. Her affective components of the relationship strength to the private bank were however neutral whereas she had a positive feeling towards the financial advisor. The cognitive components of the relationship strength to the private banking unit were slightly stronger, e.g. when visiting the private banking office. Her intentions to stay were neutral, she did not reflect much upon whether to stay or not, she wanted to see if the services were good and the outcome was rather open. The only thing stopping her from switching back or switching to another bank, if she would have found it necessary, would have been indolence.

The customer had a general impression of the relationship as quite strong in the pilot study questionnaire, but terminated the relationship about six months later. She did not perceive the general impression of the relationship as weaker to the financial advisor but somewhat weaker to the private bank when she decided to terminate it.

> **Customer:** - No, I think, towards the end when everything started to decline it was of course the relationship to the system, the counselling I started to lose faith in, but that did not fall upon, from my perspective, so very much on NN [the financial advisor].

The reason for ending the relationship was a reduced capital due to the recession on the stock market. The net realisable assets had decreased below the private banking limit, which also triggered the thought that the annual fee was rather unnecessary. It took some time before she carried out her decision to end the relationship since she still had some hope that the situation on the stock market would turn. She believes that she probably just didn't want to realise what had been taking place. She also had some doubts about the financial advisor's skills regarding the advice given on some securities. In one case she lost quite a lot of money and it also contributed to her net realisable assets falling substantially below the limit for the private banking unit. The cognitive components of the relationship strength to the private banking were in the end somewhat negative since she did not think that the bank had succeeded in performing the task they were set to do. Her affective components of relationship strength had become slightly negative due to her losing trust in the private bank when losing quite a lot of money.

- *Relationship outcome state*

The customer has today gone back to using a local branch office within the same bank group, but has not yet had any meetings with the new personal banker. The financial advisor and the customer were in agreement regarding the termination of the relationship since the net realisable assets had decreased substantially. The customer even got the feeling that the financial advisor had thought about advising them to go back to a local branch office.

- *Financial advisors perception of the fading relationship*

The financial advisor does not see any extraordinary incidents that led to the termination of the relationship with the customer. She simply had no use for the services that the private banking unit offered any more since her capital had decreased substantially. The customer also needed the capital for other investments which made it even less interesting to stay. There were no specific situation that signalled that the customer wanted to end the situation, it was more or less something that the financial advisor felt after a while. The financial advisor does not think that the relationship to the bank has been deteriorated in any way during this process.

> **Financial advisor:** -No, it was quite a natural process, I think it was perfectly understandable that she left.

The financial advisor did not see any changes in the customer's behaviour during the fading process, she remained the same during the relationship. Since the capital had decreased below the limit for being a customer in the private banking unit, the financial advisor did not either take any particular actions to make her stay. Since she had no use for the services, there was no reason why the financial advisor should try to make her stay in the private banking unit.

> **Financial advisor:** - I don't think at all that it is a lost to lose a customer where we, with the best of intentions, say that this was not the right type of service. Because that may strengthen the relationship to the bank [group], if we say "shouldn't you consider another service that doesn't cost…" I mean, they may perceive it as a good advice if we don't keep on nagging just to make them stay.

The financial advisor thinks that most of the customer relationships that are terminated are of this type. There are no dramatic changes or situations that ends the relationship, the customer just does not find the services useful anymore.

### 6.2.7 Customer ALT 4

- *Initial state of relationship*

The customer had used a local branch office within the bank group before entering the private bank. Although the customer had moved to another town, she still remained a customer at the local branch office where she lived before. But, when she started to do more and more business transactions, she was transferred to a local branch office in the new hometown. She believes that she was transferred because they did not have enough resources to take care of all transactions.

The local branch office introduced her to the private banking unit after a couple of years. The decision to enter the private bank was not preceded by comparisons of different alternatives, the reason for entering was rather influenced by the fact that she had been a customer in the bank for a long time and perceived that the bank group had been satisfactory. She was appointed a financial advisor, but also a broker taking care of all issues related to investments since she was a very active trader. She had no distinct expectations about the private banking services; they rather emerged after a while. She wanted fast and straight answers and she got the impression that the financial advisor understood this.

- *Relationship changes*

The general impression of the initial relationship was really good and strong. She did however not perceive such a big difference between the services received by the local branch office and those received at the private banking unit. Entering the private banking unit meant moving all interaction focusing on securities to yet another town, while keeping all loans at the former local branch office. The private banking unit invited her to some events (e.g. football, concerts) and they used to go out eating together, but otherwise there were no larger changes in the way she related to the bank. She thought of herself as active in the relationship and she perceived the bank even more active since they had contacts every day. Her cognitive and affective components of the relationship strength were rather strong and her feelings for them very positive. She did not think about switching to another bank although other banks had been in contact with her.

During the spring of 2002 the customer stated in the pilot study questionnaire that the relationship had become weaker. The interactions with the bank became more and more sporadic. Both parties initiated fewer contacts at the same time as she cut down her workload leading to fewer contacts with the bank also via her company. There were also fewer invitations to events. There were no particular event or intermezzo causing the weakening and it didn't happen over night, rather gradually.

> **- How would you describe the course of events?**
> **Customer:** - Well, as I said, not overnight but rather gradually, as things went along.

She mentions that the contacts with the financial advisor had become fewer, which changed the relationship. The relationship to the private bank was still not bad, only fewer contacts, but she perceives that the relationship strength became a bit weaker due to this. The thing that might have had an effect is the moving around. She perceived that the relationship to the earlier local branch office was better, including the one she left after moving. Looking back at the first bank she mentions:

> **Customer:** - The background to moving [to another branch office] was that I made a lot of business transactions, also in X [first branch office] and a good relationship developed. I think that's in the back of my mind when experiencing a small deterioration.

There were some changes in the affective and cognitive components of the relationships strength, but her intentions to stay remained intact. The stock market was the main influence on the relationship and if there had been another situation on the stock market, things could have been different.

> **Customer:** - Well I don't know, if there had been a different [stock] market situation... It's positive if they keep in touch, they don't call as often any more, nothing happens. I quite understand if they can't just call and ask about the weather. Maybe it's after all just the stock market. But, then they've got less money to arrange events.

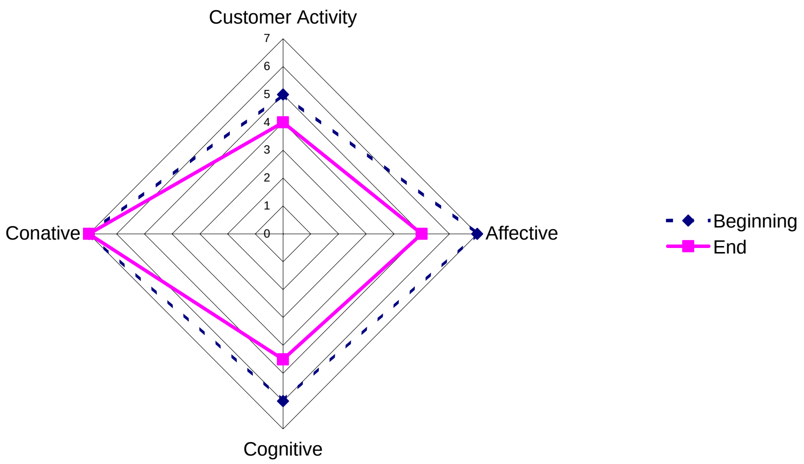


**Figure 27: Components of relationship strength, customer ALT 4**

- *Relationship outcome state*

The customer is still staying within the private banking unit, but perceives the relationship strength to have weakened even a bit more since last spring. The behavioural components of the relationship strength have weakened since her own activity just as well as the bank's activity has diminished, they do not interact as much as they did before. The cognitive and affective components of the relationship strength are slightly weaker. Her feelings are more neutral at the time being compared to the very positive initial feelings.

> **Customer:** -I'm quite neutral, I would never talk about the bank in negative terms with somebody else and I would never recommend someone to switch bank. A neighbour recently switched from the private bank, but not me.

Looking at the future she still has no intentions to switch bank since she considers the overall picture and still keeps most of the contacts through the company she owns. There are no reasons for switching and she has also ended a contact to another bank since she could not see any reasons for staying in that bank. She is satisfied with staying with the private bank since she's always able to call and they always do what they can.

- *Financial advisors perception of the fading relationship*

The financial advisor noticed that the relationship had weakened when business transactions became less frequent at the same time as the contact with the broker developed which made the contacts with the customer even fewer. There was no particular trigger, rather a slow downward trend following the stock exchange.

> **Financial advisor:** - Our relationship has gradually been reduced. There was no controversy that I can remember anyway. Less and less business transactions have been made; it has been like a spiral downwards.

The customer's risk profile three years ago isn't what it is today, the customer has according to the FA been struck quite hard leading to her not taking as high risks today, which he believes to be natural. The financial advisor wishes however that he had made the risks more clear to the customer, linked to returns on the investments made.

There are no changes in the customer's activities since the broker takes care of most of the contacts and he perceives himself to be quite passive, not thinking that his role contributes much to the customer at the time being. He perceives however that the relationship strength have remained the same during this time.

### *6.2.8 Customer ALT 5*

- *Initial state of relationship*

The customer remembers entering the private bank when they contacted him during the selling of a real estate. His former contact person at the local branch office considered that the realised amount of capital should be taken care of in a different manner, suggesting a meeting with the private bank, which took place at the local branch office. The decision to enter the private bank was influenced by the opportunity to have someone available, knowing who you are and with whom you can discuss investment matters. They had been changing personnel at the local branch office several times, some being better than the others also influencing the decision. Other financial institutions were also in contact with him coming with offerings, and he was also using other banks and institutes. It felt however comfortable to stay within the same bank group. The customer claims however that the decision wasn't that consciously made; it felt more like a broadening of the services bought from the bank group. The expectations about the services were however a bit diffuse.

> **- Were you sure of what to expect from the private bank when entering?**
> **Customer:** - …Difficult to say… a bit… I think so, yes, you got a brochure and then we talked a bit about what services they could offer and the costs and things like that. I guess we did that.
> **- Do you remember what expectations you had?**
> **Customer:** - Well it was the thing with getting more direct contact to be able to call and say, here, take care of this and this and do that and… well. […] Well, I had some

> expectations and thought it would be better than it turned out to be, but then, these kind of institutions, in general, expectations aren't that high, no.

The customer perceived himself as quite passive in the beginning, whereas the bank was more active explaining things to him and giving him advice on what to do with the money, insurances etc. But the customer had the feeling that the private banking unit were selling products, rather than giving advice.

> **Customer:** - […] they were very much into explaining, well not explaining, but well, then you may do like this with the money and you may do like this with the money, and this was, you know, at that time it was a bit hard on the stock market, and like, then you may do it this way and then you may do like this with the insurances and… well, she was very alert that way, like, but I felt like she was doing it to sell the bank's services. Sometimes it's a bit too much on the bank's premises, to show a result. […] Too much selling.

The initial affective components of the relationship strength were neutral, leaning towards quite strong. He had quite positive feelings towards the private bank, but he thinks that it's difficult to talk about affections when discussing the private bank

> **Customer:** - Well, I mean feelings and things like that, it was more like settling things, but any like personal feelings related to the person, that, I wouldn't say so. No.

The cognitive components of the relationship strength were neutral, they performed what he expected resulting in neither a positive nor a negative perception of the quality and performance. He had intentions to stay although he wasn't sure it would last forever; there was nothing preventing him from switching in case he would have liked to.

- *Relationship changes*

During the spring of 2002 the customer described the relationship in the pilot study questionnaire as fairly weak, having become weaker. When discussing this, the customer explained that his first financial advisor at the private bank got ill, involving longer periods where there were no contacts with the private bank since he was not very active in the relationship either. There was very little contact during this period and the advisor replacing the financial advisor couldn't give much information about what would happen. The general impression of the relationship weakened at the same time as the economic climate made investments less interesting. The weakening process took place gradually. After some time the customer decided to switch to another financial advisor within the private banking unit. The new financial advisor came into the picture during spring 2002 and after getting this new financial advisor, the general impression of the relationship grew stronger.

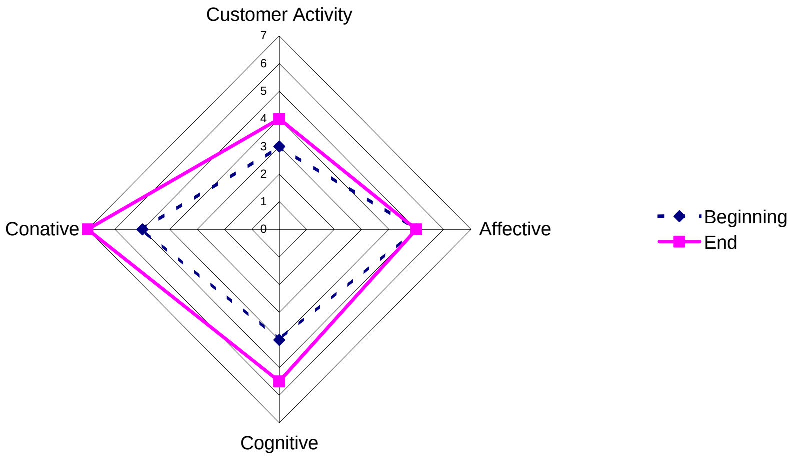


**Figure 28: Components of relationship strength, customer ALT 5**

- *Relationship outcome state*

The behavioural components of the relationship strength are stronger today since the customer is more active today as he perceives himself as having more time for these issues and he perceives the bank as somewhat more active today also.

The customer does however not perceive any changes in the affective components of the relationship but the cognitive components are however slightly more positive since things are done in a correct manner and quickly. Quality and performance is better. His intentions to stay within the bank have also grown stronger although there would be nothing stopping him from switching if he would like to do that. The customer is already using another bank as well as an investment agent. He doesn't perceive the fee in the private banking unit to be that high and the bank isn't able to do much about the general economic situation. He is satisfied with the decision to stay in the private bank:

> **Customer:** - Well, it's sufficient services, it's better service than just using the local branch office contacts and maybe above all in a large city I guess. In a small town I believe that you are able to establish contacts with your bank in a different manner, but I must say that I like the situation where I'm able to call directly [to one person] and not end up with someone in X-town [a small town where the call-centre is situates] talking to me at first.

- *Financial advisors perception of the fading relationship*

The financial advisor perceived the relationship as fading during the spring 2002 since he felt that the customer had a type of reserved attitude. He believes that the background was the former relationship, which had been put on ice during some time. The relationship has developed in a positive way since then, where more trust is present. The financial advisor believes that this has to do with the advice given resulting in favourable economic situation.

Looking at the customer's behaviour he is more open today, more social, talking about this and that. The customer is also more active in the way that he follows the financial advisor's advice, but he is still not the customer calling and deciding on investments on his own.

There is not much the FA thinks could have been done differently except for wishing that he would have known how the stock market would have developed. He perceives the relationship as good today, fairly strong, he believes that it shouldn’t be too close either.

> **Financial advisor:** - Well, then it would be too personal and you call about things that aren’t related to work in such a large extent that it would take a lot of unnecessary time. It should be on a professional level, it shouldn’t be too social.

## 6.3 The fizzle out process

The ideal type described as a fizzle out process will here be described according to the tentative framework for understanding fading processes. Since a more detailed discussion is provided in Chapter 8, only main characteristics are brought up here. The portraits are thereafter presented.

### *6.3.1 Relationship roots*

The customers describing a fizzle out process seem to have a rather low initial knowledge about wealth management services, except for in one case. The customers are very committed to their work, which have made the private economy of secondary importance during the years. If a larger amount of capital is realised, they need help investing the money but do not really know themselves what to do. The realisation of capital as well as the economic climate has however increased their involvement and commitment in wealth management services, which has made them look for service providers.

### *6.3.2 Relationship dynamics*

The fading process described as a process that just fizzles out is characterised by a passive process. Both customers and financial advisors describe the processes as relationships that “just comes into nothing”. There are no particular phases in the process or distinct stages; the relationship more or less just vanishes. There is no dominating component of relationship strength that weakens, there may be a weakening in all components. The general impressions of the relationship do not show very large changes, but there is however no distinct difference in the general impression of the relationship compared to the process types.

### *6.3.3 Drivers*

The drivers of the fading process seem to be a weakening commitment and involvement from both sides of the parties in the relationship. The absence of interaction and dialogue seems to be important for the character of the process. Customers seem to have many other projects going related to owning companies or a heavy workload. They do not seem to have much time left for the private economy. The financial advisors, on the other hand, try to keep the relationship alive but are afraid of being too pushy or loses interest when the customer seldom seem to act on their advice.

### *6.3.4 Customer FIZZLE 1*

- *Initial state of relationship*

The customer entered the private banking unit when they contacted him via the company he owns. A large amount of private capital was realised within the company, which needed to be invested in one way or the other and quite many actors offered their services to help him do so. The local branch office said that they did not have the resources to handle the capital in the best possible way and recommended the private banking services. Despite the other financial institutions offerings, the customer felt confident with the bank group, and the private banking services seemed like a rather good concept. The closeness to the bank and his prior contacts and social bonds to the bank influenced the decision to enter the private banking unit. The possibility to discuss investment issues with “his own” financial advisor was a strong reason to become a customer in the private banking unit. The reason for entering the private bank was founded on the notion that someone would look after his investments, since he had no time doing so himself.

> **Customer:** - I entered the private bank because I have neither time nor interest to keep up with, think about and follow stock exchanges this way and that and back and forth and change courses and change investment strategies and things like that, and this is what I thought I paid for.

- *Relationship changes*

The general impression of the relationship was initially strong based on the previous experiences with the bank group from the year he started his first company during the 80s and forward. The behavioural components of the relationship strength were quite weak looking at interaction efforts coming from the customer. He perceived himself as quite passive when it came to the contacts with the private bank. The customer adds that he was thinking a lot about investment issues; he just didn’t do anything about it due to the stock market. He perceived however the private bank to be very active in the beginning, following the planned contact schedule.

The affective and cognitive components of the relationship strength were quite strong. The customer had positive feelings towards the bank and perceived the bank as positive considering systems available, information material etc. Intentions for the future were neutral. He didn’t have any particular plans to always stay with the private bank, but thought that if it would turn out well he could stay for a long time. The good experiences with the bank group tied him to the bank and he needed the types of services they offered.

> **Customer:** - Somewhere there’s good to have somebody taking care of things. Anyway in the situation back then and how it is right now. Well, maybe not now, but then. Because then I had absolutely no time with this [investments] because I had two companies, just started and everything. And it [the investments] didn’t even exist in my head. Dead substance lying around somewhere.

Another issue influencing the decision to stay within the same bank group was that he perceived all banks were the same. Investing in money depends on luck just as much as it depends on skills. He believed that turning to a professional was all you could do, and if this person is skilful and happens to be lucky, it could turn into something good.

The customer perceives the first financial advisor as very good, understanding the expectations he had, but after 8-10 months she was replaced and a temporary financial advisor replaced the old one. This financial advisor then went on vacation and was replaced with another substitute before the customer was transferred to another branch office with a new financial advisor who was also replaced with the last one, resulting in five financial advisors all together.

**Customer:** - No, that's no good. It should have been two, that's acceptable. Maybe three also, that's ok. But I have to say that the contact in X [the second branch office], the first one, she tried also and we decided to meet sometime and it didn't work out and one time it was him, and the next time me. So I asked her like, what advice and ideas do you have? And well, like, "stay". And then, then we don't need to meet and discuss.

During the time when the financial advisors were replaced the stock market went down. The customer was at the same time very occupied with running the two businesses and didn't really have time to act according to the problem. The customer perceived that there wasn't any advice they could give since the recession had already started. He doesn't however blame it on the financial advisors he dealt with, but the banks in general, how they handled the fall on the stock market.

**Customer:** - Through their brochures and through their direct mailings and… well, interviews on TV and whatever, they always cover up, or did, like now we see many indications of a turning-point, and then it just continues downwards. It's as if they were arguing in favour of themselves, save whatever there is to save.

The customer describes the relationship as weaker in the pilot study questionnaire made during the spring of 2002. He perceives the company to be of greater importance when considering the contacts with a bank compared to the private economy, influencing the relationship to the private bank.

**Customer:** -…private economy, it may be dealt with… either you have the time to do it yourself or then roughly anybody could do it. But on the other hand when you're dealing with a company, that's different.

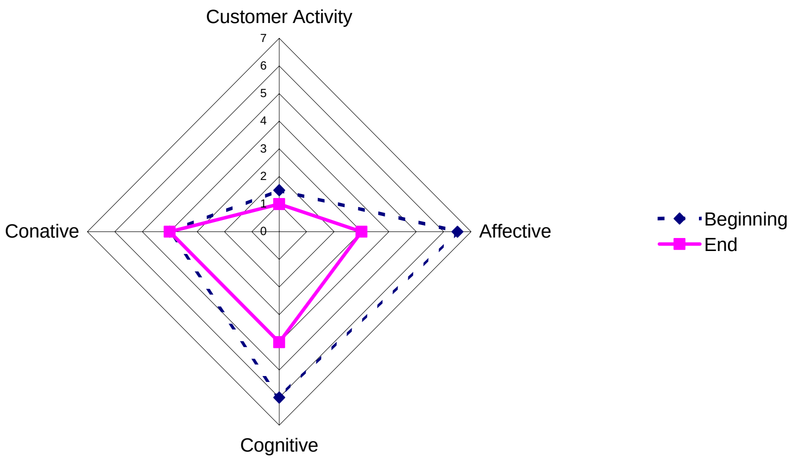


**Figure 29: Components of relationship strength, customer FIZZLE 1**

The strength in the relationship had weakened. The trust had been damaged by the fact that he perceived that he was paying for something he never got and also the bank's way of acting when the stock market went down. He started to use a bank related to his company for day-to-day banking matters. Completely switching bank was not an option he considered however.

The first time he felt the weakening relationship was when the first financial advisor was replaced: he asked himself why he needed the services when nothing happened. The stock market influenced the relationship to a large extent. If there had been no recession he wouldn't have needed the frequent contacts. He does not however perceive any distinct trigger, rather several different factors influencing a slow process. The absence of interaction was very obvious. He perceived the financial advisor taking over after the two substitutes as a positive influence on the relationship since she at least tried to make contact, and also the fact that he geographically was closer to the customer. The situation with starting a new company in a new town and focusing on this business made the private economy however of less interest. He thinks that the weakening would probably have been deeper if he hadn't been focusing so much on the business, and if the development in the old company had been poor or if he was dependent on the money.

> **Customer:** - It was quite interesting in the beginning. And then it became less and less interesting and then I lost interest completely. And then, it hasn't really been present. I get these papers and I look at them and, well, how much did it fall now, and in a month I look again and well, it has fallen this much at this time. So, I don't follow newspapers or anything, it just is. So it has been a gradual process and I have other things to be happy about. It's not hard.

The frequency in the contacts with the private bank became lower; all everyday matters were taken care of by the other bank, although the plans were to stay within the private bank since he needed a bank as a complement to the new one. He wouldn't want to end up in a situation where all capital is invested in one bank if something happened.

- *Relationship outcome state*

The perception of the general strength in the relationship hasn't changed after the initial weakening since the customer doesn't perceive any of the other banks as much better than the private bank. He is completely passive today, looking at the contacts with the bank, but he thinks and he knows that the market has a bottom-line. He doesn't want to have a meeting and discuss these matters until he believes in a turning point on the market. The private bank is also passive and he believes that they don't contact him since due to the former passive attitude and behaviour they think he wouldn't be interested even if they did call him

Looking at the affective components of the relationship strength he perceives a weakening since his feelings are slightly negative, but not as much towards the private bank as all the banks' handling of the market recession. Both cognitive and conative components are neutral. The bank did not give the good advice they talked about when entering the bank, which calls for a wait-and-see attitude regarding future intentions to stay in the bank. Something will happen, but he doesn't now when and the alternative to the bank may be something completely different, like investing in real estate or something else. His knowledge about the surrounding world and economy is much more developed today giving him a better basis for the coming discussion. For the time being he finds no other option than to stay as a customer in the private banking unit.

- *Financial advisors perception of the fading relationship*

The financial advisor perceived the customer as quite passive due to the fact that he had no time for his private economy, everything was focused on the company. The situation with a declining market also made the customer reluctant to do any larger changes. The financial advisor thinks of herself as neither completely passive, nor very active. She tried to get in touch with the customer a couple of times and wrote to him, “chasing him” via his employees, but he was too busy. It always ended up with her asking the customer to contact her when he found time to do so. She perceived the relationship as weak.

> **Financial advisor:** - If you don’t get to meet the customer it doesn’t get better than that. To me, it’s important to meet a customer, then the ratings rises dramatically, during half an hour or 45 minutes, when you don’t get that time, it gets low [the rating of the relationship strength]. It’s hard to create a relationship via the telephone, it’s just not possible to do.

During the spring 2002 she thought that they never really seemed to get the relationship going. After a while she rather called other customers since this customer always was too busy, leading to a lost interest from the financial advisor. There was no point in calling when she never even succeeded to reach him. The relationship became even weaker compared to when they started off although the financial advisor sensed a positive tone when discussing and she perceived the customer as positive and easy to get along with. The customers current situation with the newly started business, just made it very hard to find time to meet, which made the relationship lie uncultivated. They met about four times/year and had contact via telephone and letters besides this. She doesn’t think that there was much more to do and she was also in a development phase expanding her customer base concentrating more on the customers that was interested in more active investing.

### *6.3.5 Customer FIZZLE 2*

- *Relationship initial state*

The customer was dissatisfied with the services offered at the local branch office and contacted the manager to talk about solutions to the problems she experienced. She worked long days and spent most of her time abroad and needed better access to the bank than was possible at the local branch office. The manager introduced her to the newly started private banking concept. The customer decided to enter the private banking unit without really considering other alternatives. Her decision was based on the higher access and proactive role of the financial advisor, which was discussed during the meeting. Since the customer didn’t know much about the private banking services, her expectations were also very much founded at that meeting.

- *Relationship changes*

The customer’s general impression of the relationship was initially quite strong. Behavioural components of the relationship were strong. She perceived herself as very active in the relationship with daily contacts with the financial advisor at the private bank. She had much contact with her previous local branch office even before entering the private banking unit. The customer thinks that the financial advisor initially was less active than she was herself, but still contacted the customer with investment ideas and so forth. The affective components of the relationship strength were also quite strong. She felt positive about the private bank and enjoyed the feeling of being a special customer and getting better services than what is offered at the local branch level. She clearly intended to stay within the relationship making the conative components very strong. Looking at the competence offered by the private bank and performance she did however not perceive them to be different from any other bank, making the cognitive components rather neutral.

> **Customer:** - Well, it was, I do not perceive that the competence or the performance, or whatever, as better than other banks… at the local branch office, it wasn't more than that.

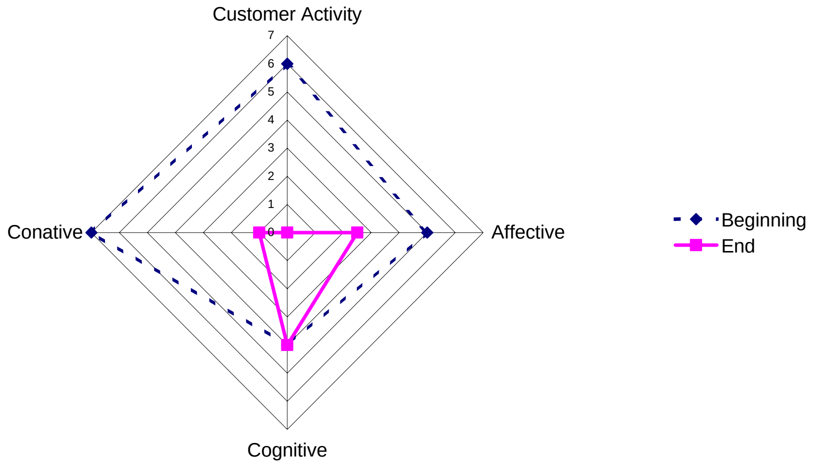


**Figure 30: Components of relationship strength, customer FIZZLE 2**

During the summer of 2002 the customer felt as if the private banking services did not contribute much with reference to the annual fee she paid: it did not bring any value to the customer. She received information through e-mails but claims that she could get that type of information from other sources just as well. Otherwise there wasn't much contact between the customer and the financial advisor. Parallel to the financial advisor, she had quite much contact with a personal banker at a local branch office. This contact was needed when discussing interest rates on loans since the private banking unit does not administer loans. She wasn't very pleased with this situation. Discussing matters with two persons before being able to make a decision always end up with problems. The recession on the stock market also made the customer less interested in selling and buying securities.

> **Do you remember when the thoughts of ending the relationship occurred?**
> **Customer: -** Before I ended it? Well, I'd guess in the beginning of, of the last six months then. Well, I wanted, no I didn't really want to end it either, but I mean, the contacts I had the last year, well, they were, they were from my… they came from me except for receiving some e-mails now and then. But there was never any contact through telephone, there wasn't any proactivity either then.

There was nothing stopping the customer from ending the relationship right away, but she wanted to give the private bank a second chance. The customer's general impression of the relationship had however weakened quite much and she perceived the relationship to be weak. Not in the way that she felt that they were treating her unkindly, the relationship had just more or less died away. There had been no trigger starting the process, rather a constantly weakening slow process where the lack of activity became more and more apparent and also one of the important influencing factors.

She also had some opinions regarding the advice offered to her.

> **Customer:** - Well, yes, there were advice about this and that, and there… I might not have, or I didn't believe in them and I might have been wrong, but, but I perceived it as if it [the advice] also was given during periods when you should not buy, like securities, and I got these suggestions despite that, and that… I didn't perceive that as serious.

The affective components weakened towards the end of the relationship. Due to problems involved with ending the relationship, the customer became irritated and had quite negative feelings towards the private banking unit. The cognitive components however remained neutral. She did not find their competence or quality of advice as better or worse than any other bank.

- *Relationship outcome state*

After ending the private banking relationship, she went back to becoming a customer in the local branch office within the same bank group. She thinks however that she will make a decision whether to stay or not within the bank group sometime during the coming year, but does not think she would go back to the private banking unit although she probably will become more actively involved in buying and selling securities in the near future. Due to the negative feelings when ending the relationship, there would need to be radical changes before she went back to being a customer in the private banking unit.

- *Financial advisors perception of the fading relationship*

The financial advisor thinks that the customer may have entered the private banking unit with somewhat the wrong expectations since most of the capital the customer possessed was invested abroad. She had however loans within the bank which she wanted to discuss with the private banking unit. The financial advisor noticed that the customer liked the feeling of getting special treatment and believes that this was important to her.

They had contact with each other, but there was not particularly much that happened in the relationship, neither any particularly positive nor particularly negative incidents. They did not have very much contact and the financial advisor perceived that the level of activity was low. The customer would probably have received the same type of services at a local branch office. The financial advisor does not think that the private banking unit got the opportunity to add much of the value and knowledge they possess.

The financial advisor believes that the customer ended the relationship since the activity was very low, they did not really have a relationship. The private banking services did not add very much value, mostly since the customer's capital was invested abroad. The private banking unit did not have much capital to work with. A discussion came up when the annual fee was about to be drawn.

> **Financial advisor:** - Well, we had a discussion before she left, at some earlier occasion, about the fact that she didn't want to… well, that this [the private banking services] maybe wasn't… she didn't see any added value in being customer here so to speak, and I think that I agreed with her on that.

The financial advisor did however not notice any dissatisfaction regarding the services they had provided, but admits that the relationship wasn't very strong. They hadn't really had any chances to build a proper relationship. The financial advisor didn't really try to keep the customer since he didn't think that he could provide much more value than a local branch office. The process of ending the relationship was not dramatic either, the customer was transferred back to a local branch office.

### *6.3.6 Customer FIZZLE 3*

- *Initial state of relationship*

The customer entered the private bank when realising private capital in the company he owned. After a discussion with the local branch office a financial advisor at the private bank contacted him. The customer was curious about the potential to grow the capital at the same time as he had no possibility to actively take part in these issues himself. His company took all his time. He had been using another bank before entering the private banking unit but didn't like the fact that this bank had grown bigger and at the same time developed a less personal relationship to its customers. The customer didn't look for alternatives to the services offered by the private bank but decided to enter after an initial meeting with the financial advisor. The customer's expectations were somewhat fuzzy. He perceived that the first meeting had been more of a general discussion and not very specific.

> **Did you have a clear understanding of what to expect?**
> **Customer:** - Well, that might have been somewhat woolly. Well, no, as you say, the first meeting is more like this… you just talk in quite general terms and you never really get any further and maybe both just sit and expect things without knowing what to expect, as you say.

He expected however the private bank to take an active part in trying to find solutions to growing his capital. The structure of the securities made it quite difficult to do very much, but he saw it as the private bank's task to find other ways to invest, e.g. through loans.

- *Relationship changes*

The general impression of the relationship to the private bank was initially quite strong based on the feeling of trust in the relationship and high ambitions. He did however not perceive himself as an active customer, since he put much of his energy into his own company. He regarded however the private bank to be even more passive than he was himself. The customer believes that this inactivity to a large extent was influenced by the economic recession making it difficult for the financial advisor to offer advice on investments. Both affective and cognitive components of the relationship were nevertheless strong due to very positive feelings towards the private bank with faith in their ability to perform their task. His intentions for the future were clear: he planned more or less to stay in the private banking unit forever.

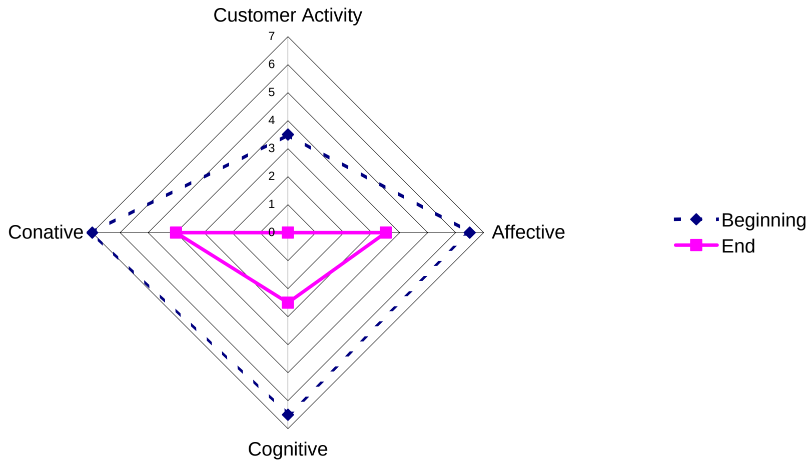


**Figure 31: Components of relationship strength, customer FIZZLE 3**

During the spring of 2002 the customer regarded the relationship as somewhat weaker in the pilot study questionnaire. The financial advisor had at that time been away for quite a while, 3-4 months, and a temporary advisor (whom he never met) replaced him during the absence. The relationship really didn't get started again after the first financial advisor's absence.

> **Customer:** - Well, there was really nothing happening, coming from them [the private bank]… no, no suggestions or visions or anything like that at all. I think many times […] even if you don't want to make any changes, but I have considerations, like a year ahead. It's true that one… I'm getting… I'm turning 53 this year I think, and I mean, that's when you must start thinking about the fact that you need to stop working in the near future. And I guess, that's what has made me bring this to an end and made me find another partner. But it's also due to, with the new [partner], it's not only the private economy, but we look at both the private economy and the economy related to my business.

After the absence of the financial advisor, the customer had a feeling that it gradually just came to nothing. The relationship to the private banking unit still was fairly young and he had been using another partner looking at the economic situation of the company for some time. He started asking him for advice regarding the private economy as well. The affective components of the relationship strength became more neutral, whereas the cognitive components became somewhat weaker due to negative perceptions of the banks ability to find solutions to his private economy. They did not live up to his expectations when the financial advisor was away and the substitute financial advisor did not really take an active part of the relationship. Rather than the economic recession being the main influencing factor, he thought they didn't really perform their services very well.

> **Customer:** - Well, I don't know. Well, what I feel quite often, I don't know if I'm different from others, but you're so very tied up in working and everything else, often somehow the private issues, they come second hand. At these times you need a man or a woman pushing things along, working hard and actively trying to hammer out suggestions. I'm not saying that we should meet, that's not the way it should be, but rather working together on these issues. And that's probably what I felt, their way of working was too lame.

- *Relationship outcome state*

The customer has today gone back to using the local branch office since he never got anything out of using the private banking unit. He felt as if there was no use paying an annual fee and receiving nothing. He has also strengthened the relationship to the new partner with whom he is looking at issues related to the private economy as well as the company's economic situation. There is however no hard feelings related to the private banking unit, which doesn't make it completely impossible to come back. He is however very satisfied with the current situation and there would have to be quite extensive changes before he would go back to using the private banking unit again.

- *Financial advisors perception of the fading relationship*

The financial advisor perceives problems related to the assets under management as the reason for the relationship to weaken. Some of the customer's assets could not be realised which made the relationship reach a deadlock. The financial advisor felt as if there was not much he could do about the situation. He was quite active in the beginning, but the activity became lower as time passed. The financial advisor thought it was up to the customer to decide when he wanted to become more active. Many other issues were handled at a local branch office in the customer's hometown and the customer had quite a good relationship to the personal banker there.

> **Financial advisor:** - Well, one could see that the contacts happened more and more seldom and there was not really anything concrete that I could offer, since the customer had no money for the type of investments I suggested.

The financial advisor did however not find any problems in the relationship, they always kept a nice conversation when talking. The relationship more or less just vanished into a neutral type of drawn out process. He admits that he could have called him more often, but thinks that focus shifted more towards other customers that were more active.

> **Financial advisor:** - No, I could of course have called a bit more, but focus lay on other customers who were more active, where things happened.

The customer did not perceive the concept as suitable for him, which made him go back to using a local branch office. The financial advisor believes that the private banking services would suit the customer better if he had had more capital to invest.

### *6.3.7 Customer FIZZLE 4*

- *Initial state of the relationship*

The customer possessed a larger sum of capital due to selling a company that was handled by a local branch office. They recommended him to try the private banking services instead of just keeping the capital on a bank account. The reason to enter the private bank was based completely on the local branch recommendations and he decided to follow these recommendations since he always had listened to the bank previously. Due to a personal commitment to the bank he did not look for other alternatives, but chose to enter the private bank within the bank group. He wasn't very sure about what to expect and they had a meeting about the possibilities within the private bank services. The expectations were therefore based on what was said during this meeting and focused on the ability to grow the capital he possessed through a professional management of investments.

- *Relationship changes*

The customer had a quite neutral general impression of the relationship at first. He perceives that a customer shouldn't be very active in these kinds of relationships since the responsibility to create an active relationship lies with the private bank. Looking at the behavioural components of the relationship strength, he perceived himself as normal, neither passive nor active. The private bank is the one that should direct and initiate the discussion, not the customer.

> **Customer:** - Well, my opinion is, when the private banking unit enters… they are the ones that should direct the discussion and take the dialogue with me, not the opposite way around. They get paid for doing this and then it's like, the dialogue, should predominantly be initiated by them when changes take place. And then, if I have questions about things I should call. But, I say… if you get an assignment from me and I handle things over to you, then I trust that you will take care of it.

He perceived that the private bank initially was equally active as he was himself, and not more active, as he would have liked them to be. The affective components of the relationship strength were neutral as well as the cognitive components. He had a good feeling from the beginning and he trusted them as well as he perceived that they performed their tasks quite well. The conative components were strong. He felt committed and his intentions for the future were to stay within the private bank.

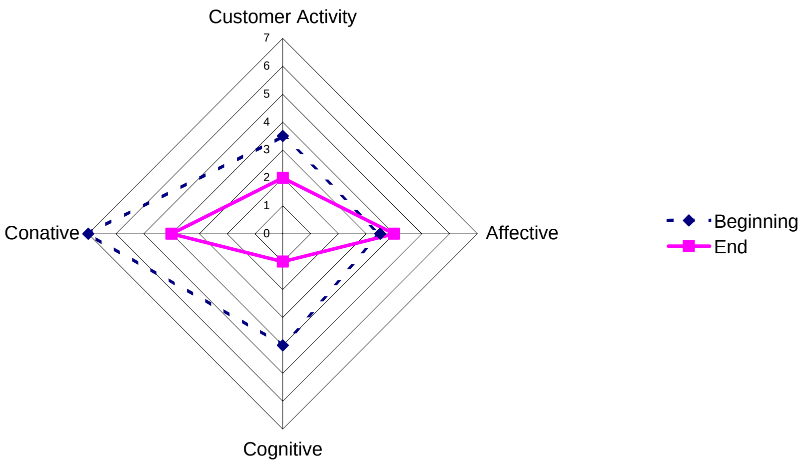


**Figure 32: Components of relationship strength, customer FIZZLE 4**

He noticed however that nothing happened within the relationship and that the private bank didn't have much of a strategy concerning a weakening economic situation.

> **Customer:** - Well, I could say that, it [the relationship] got weaker as the economic crisis became a fact on the stock market. When there was no improvement in sight I experienced a bit of an ostrich-like policy within the banks, they buried their heads in the sand and hoped for things to settle again. There was, and still is, no strategy for how…how you deal with it.

The general perception of the relationship became weak. He believes that the main reason was that the bank had no strategy for handling an economic recession. Another reason was also that the financial advisors had succeeded in building larger customer bases with the result that they did not have enough time to manage the investments of each customer. When the recession on the stock market got worse, the customer felt deserted and abandoned. The affective component of the relationship strength weakened and he had very negative feelings towards the bank at one point in time. It felt however meaningless to switch to another bank, the situation wasn't different from other places except for the dialogue maybe being better in other banks. This lack of strategy was not only specific for the private banking unit; all banks were more or less taken by surprise. The combination of a non-existing strategy, lack of information and no interaction were however particularly bad. He does however not blame the financial advisors, rather the private banking organisation.

> **Customer:** - Well, I believe that… I experience and talk to others also involved in the private banking unit and experience that they [the private banking unit] have gone into hibernation, and that's understandable. I mean, the pressure is really quite massive on the people that are set to manage a capital and then fail due to things they cannot of course help. But the problem is that there is no back-up, how to act, where to set the limits and how to deal with all this and that's why you wonder – did they have too many customers making it hard to manage all customers in the right way, or is there a complete lack of strategy from above?

The relationship continued to slowly weaken. There was no particular incident causing the weakening, it rather followed the recession on the stock market and the absence of interaction. The only reason for delegating the responsibility of managing his capital was that he trusted that they would manage the capital better than he would be able to do himself. The customer believed that the private banking unit had severely failed that mission. They should have created a stronger strategy already from the start discussing different scenarios, also including a weakening stock market.

- *Relationship outcome state*

The customer still stays within the private banking unit despite his dissatisfaction; there is still hope for the stock market to change. The general impression of the relationship is today very weak. The behavioural component of the relationship strength is weak since the bank is completely passive as well as himself. He cannot see any solution to dealing with the problem except terminating the relationship. He does however not think that terminating the relationship is a very good idea; it would be better to wait and see, and hope for things to get better. The conative components of the relationship strength as well as the affective components are in other words neutral. He states that his feelings towards the bank is neutral: there are no positive feelings, but he wouldn't say that there are any negative feelings either. He perceives the private banking services as purely business transactions and does not feel that he has a relationship to the financial advisor anymore. The cognitive components of the relationship strength are very weak. He sees no rational reasons behind the way things have been handled, and the bank has completely failed in doing what they were supposed to do. His hope for the future is that the stock market will start growing again and that the private bank will wake up and become more active again presenting a strategy how to move forward. He perceives nothing stopping him from switching bank now, but is not ready to do anything until the economic crisis is over. The customer is however quite content with the decision to stay since he perceives no interesting alternatives. He will from now on more actively look for other alternatives on the financial market, but will be very disappointed if the private bank doesn't start working on their relationship problems.

- *Financial advisors perception of the fading relationship*

The customer noticed that the relationship had weakened after the fall on the stock market. The customer was reluctant towards making more transactions and the financial advisor had a bad feeling about the relationship. The customer had not said anything about the relationship being bad; it was more of a backbone feeling. The relationship had become weak.

> **Financial advisor:** - It was more as a river floating by. It felt as if we were heading that way, and I… I couldn't really see what more we could do. We were stuck in the situation we had reached.

The financial advisor thinks that the customer had had quite high hopes on the services. He was not very experienced from investing in securities, but wanted to make up for some bad deals he had made previous to entering the private banking unit. The financial advisor emphasises however that he never had promised that they could make up for the losses he had experienced. They had had contact quite often during the relationship, but the customer had not been active with regard to investing his money. The financial advisor believes however that the customer did not really understand all the things that he did. There is a difference between what the customer notice and what the financial advisor actually is doing.

The financial advisor describes the fading process as a long steady downhill slope. The customer became less active and they had to adapt to the falling stock market. The customer is however still a customer in the private banking unit, but they have not yet reached the situation they hoped for when initiating the relationship. There is however no problem with calling the customer and he always replies to mails and the financial advisor feels as if they have a respect for each other. The relationship has however weakened, but the financial advisor thinks that this will change as soon as the economic climate improves.

## 6.4 The try out process

The ideal type described as a try out process will here be described according to the tentative framework for understanding fading processes. Since a more detailed discussion is provided in Chapter 8, only main characteristics are brought up here. The portraits are thereafter presented.

### *6.4.1 Relationship roots*

The relationships described as try out processes are dominated by customers that have a fairly short experience from buying wealth management services, even though two of them seem to have a longer experience than the others. It seems as if these customers have been pushed by the local branch office to enter the private banking unit and there are also cases of interruption of or dissatisfaction with the previous local branch office. The economic climate has triggered a dream of making more money and these customers seem in some cases to be quite focused on making the capital grow. The private banking services have in some cases been introduced as a solution to the dissatisfying experiences with the local branch office.

### *6.4.2 Relationship dynamics*

The process is not characterised by any turbulence, rather a smooth process where the annual fee has an important role when deciding about the future of the relationship. The customers are fairly price conscious; the termination is often triggered by the drawing of the annual fee from the account. It seems as if the customers have a weak conative component of the relationship strength already from start. The customers are not completely sure when entering the private banking unit if the services are suitable for them or not. The general impression of the relationship is not so very strong even when the relationship starts and it seems as if the financial advisors sometimes are underestimating the weakening general impression or does not really find it a problem since the private banking concept might not be suitable for them.

### *6.4.3 Drivers*

The customers seem to perceive the quality of the services and the lost value coming of the services as the main reasons for fading. The capital did not grow as much as they had hoped for, or the financial advisors did not give advice to stop a downward trend in their invested capital. Expectations are high and in some cases unrealistic looking at the period of time they invested their capital on the market.

### *6.4.4 Customer TRY 1*

- *Initial state of relationship*

The customer entered the private banking unit after being recommended by the bank group's telephone banking services. Obtaining good financial advice was the main reason for entering the bank. The customer already used two other banks besides the current bank group, but did not look at other options before entering the private banking unit. She continued however to use the services of the two other banks as well. Her expectations were somewhat fuzzy, but she had an idea of what she expected.

**- Did you have a clear idea of what to expect from the private banking unit?**
**Customer:** - Yes, both yes and… difficult question, well I would say yes, I think so.
**- What kind of expectations did you have?**
**Customer:** - Advice, just that, really. Good advice and a bit more active guidance maybe.

- *Relationship changes*

The customer describes the general impression of the relationship as initially slightly weak. She was relatively active when entering the private bank, either getting comments or keeping in touch with the financial advisor, just as she did with the other banks she used. She also followed the economic development and newspapers actively. She perceived the bank as a bit less active than herself. She was quite satisfied with the first year when the stock market also went up and she actively invested, but she believes that she could have done the job herself just as well.

> **Customer:** - But I cannot really say that I have got any advice really, it's hard to say, but I don't think I would have made it worse off myself, that's how it feels. […] It's not like I have got the type of information that, unfortunately, has been given in good time or changed strategy or something like that.

She had the perception that the expertise of the employees would guarantee better advice. The affective components of relationship strength were initially weak. She had the feeling that the bank was more interested in itself rather than her as a customer. She is aware that it always comes down to making a job, but the situation where the bank loses less money compared to the savers in a recession feels awkward. There was a bit too much "sales talk". This also influenced the cognitive components of the relationship strength. The advice and performance had not lived up to her expectations.

> **Customer: -** […], quite frankly, a bank is all about money and investments. But looking at the results, I've gained nothing from their advice, compared to other institutions, or compared to what I have done myself. I have, at the same time, mentioned that I am interested in being offensive and I'm interested in booms and I'm ready to actively take part in these [booms] and so on, but it's hard.

She perceived herself as well as the private bank to be somewhat passive.

> **Customer:** - Well, I think I'm relatively passive and they are relatively passive and we don't have that much to do with each other, since I read newspapers and get information through other sources.

The conative components of the relationship were still quite strong. She had no intentions to leave the bank and there wasn't anything in particular stopping her from doing so except for her perceptions of the bank group being a safe bank, one of the safest bank, and she perceived it also to be relatively ethical, looking at the speculation economy during the end of the 80s. She thought banks in general were just as bad anywhere so why switch?

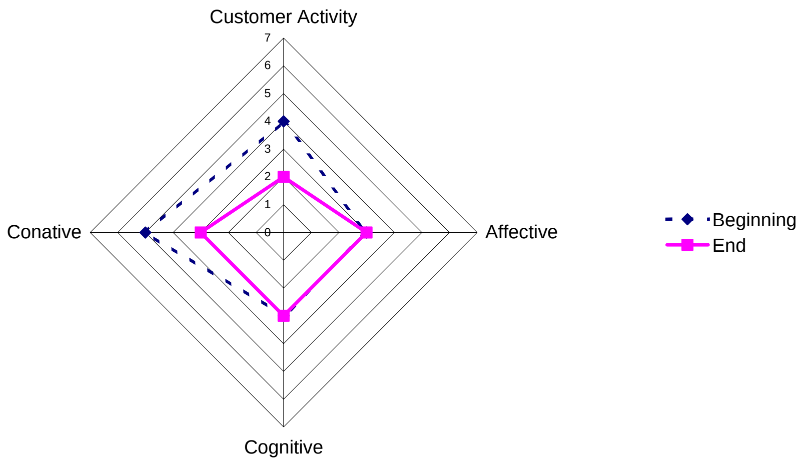


**Figure 33: Components of relationship strength, customer TRY 1**

During the spring of 2002 she stated in the pilot study questionnaire that her general impression of the relationship was fairly weak and she thought that the relationship had been going up and down. She relates this perception mostly to the fact that she didn't see the purpose of using the services offered, although they had somewhat more frequent contacts if the market situation changed. When discussing the strength of the relationship, she perceived no differences from the initial state of the relationship, but thought that there had been ups and downs. The private bank had been a bit more active for some time, but she felt as if it was more a way of keeping in touch, rather than a way of giving her interesting advice. She understands however the difficulties related to being able to give good advice when the economy is turbulent. She perceived however that the advice he got made her situation worse than if she had not done anything at all. Her intentions to stay within the bank had changed, particularly due to the annual fee. She didn't have to pay the fee the first year, and then she paid half of the price, but she saw it as a waste of money. She could get just as good advice from other banks without having to pay the fee. Indolence prevented her from switching and also the feeling that it was better to wait and see what happened for one more year.

The annual fee increased during the autumn, which the customer perceived as too high. The relationship to the private bank started weakening with the economic recession, although she understood the risks involved with these types of investments. The increased annual fee however influenced the general impression of the relationship even more. She had a discussion with her financial advisor about the fee, which influenced the weakening even more. The relationship was not worth its price any more. She had been reluctant about paying the fee even from the very beginning.

> **Customer:** -It has been like a harsh rational conclusion from the beginning until the end. Strictly speaking I don't know why I'm still hanging around, sort of, but I'll see what happens now during the spring.

The increased fee made her think more actively about ending the private banking services, but probably not her relationship to the bank group, and instead go back to using the telephone banking services.

- *Relationship outcome state*

The general impression of the relationship is the same today as it was during spring 2002, but she considers herself as well as the bank as less active than before. She is however not very interested in meetings and discussion; she just wants some good strategic positions on the market. The affective components of the relationship strength are still slightly weak since she does not like the feeling that the bank is somewhat greedy. The bank's ability to perform their services is low and she doesn't get any advice that reduces the recession or creates a good investment possibilities, making the cognitive components of the relationship strength weak with regards to service quality and performance. There is nothing today that prevents her from switching back to the telephone banking services. Looking at the future she is thinking about leaving, she just hasn't made the decision yet but plans to find out when the fee will be drawn and end the relationship to the private bank before that. The conative components of the relationship strength are in other words weaker as her intentions for the future do not include the private banking unit. She is not particularly satisfied with her decision to stay so far.

> **Customer:** - No, actually not to be honest. I'm maybe not satisfied with my decision to stay really. If looking back or if I now… I'm wondering why I'm doing it [staying]. But if it had worked out, I would have stayed, it's in other words linked to the economic situation, but also in a matter-of-fact way, the things we have been discussing.

- *Financial advisors perception of the fading relationship*

The financial advisor perceived the relationship to be fading during the spring 2002 since the customer had kept the contact with the other banks whereas in many other relationships the customer more or less places all investments within the bank group after a while. The strength of the relationship had not changed, but she felt that there wasn't much to do, she had tried several times but never received any response, which made her loose interest. She thinks that one influencing factor on the lost interest was the fact that the customer was very knowledgeable already.

The financial advisor perceives the customer as more sensitive to what is said today compared to before, listening to a larger extent to advice given. Looking back, she believes that she could have done more to some extent and she wishes that the customer had listened to her advice and also that she would have gathered all investments at the private bank, it is important to have a complete picture of the investments made in order to give good advice. The relationship today is the same as it always has been and there have been no changes either in the customer's or in her own level of activity. Looking at the future the FA has had a discussion with the customer concerning the value of the services offered.

> **Financial advisor:** - And this is an issue that I really think she should consider, to be honest. Because if she feels and knows that the advice given to her has no importance, then there is no reason for her to stay as a customer with the volume [i.e. amount of money invested] she has. So, I have initiated this discussion with her, because I feel moreover that if it should be

valuable to both parties the level of activity should be higher and advice should also be considered advice, then.

### 6.4.5 Customer TRY 2

*Due to a technical problem during the interview, only written notes taken during the interview formed the basis of the customer's story.*

- *Initial state of relationship*

The customer entered the private banking when the private bank contacted him after making some business transactions. They had a meeting and he decided to try the private bank without analysing other alternatives. He had too much to do at work to really have time for the private economy and perceived the bank as a good alternative His expectations were based on the presentation they made of the services and were very distinct and focused on investments, he expected quite simply a capital growth of 10%.

The customer did not completely leave the local branch office, but stayed in contact with them and has been using them parallel to the private banking unit. Looking at the behavioural components of the relationship strength, he perceived himself and the financial advisor as equally active. He states however that it takes some time before the personal chemistry works. They kept in touch through telephone and face-to-face meetings. Quite strong affective components of the relationship strength were founded in the trust he had built with the bank group. He had positive perceptions about the private bank's performance and the type of dialogue they maintained which made the cognitive components of the relationship strength quite strong. He had however quite neutral intentions about the future relationship with the private bank. It is difficult to know from the start whether to stay or not. He had a quite strong general impression of the relationship from the start; they were always there as a backup.

- *Relationship changes*

During the end of 2001 he felt a weakening for the first time and by spring 2002 he stated in the pilot study questionnaire that the relationship was very weak and that the relationship had been going up and down. All components of relationship strength had become weaker. As the economic climate has become worse, the services also deteriorated. The customer had no dialogue with the financial advisor and he had the feeling that the bank was good at selling products, but had no understanding of when to hit the brakes. The customer had lost confidence in the bad advice given by the private bank. Funds went to half of their initial value, which along with the stock exchanged influenced the relationship to the private bank. Due to a private limited company he was unable to do anything and he decided to let things go on for a year.

Looking at the course of events, the stock market was the main influencer on the process leading to a confidence loss mixed with expectations that weren't fulfilled. He wanted a really good deal, he wanted to make a bargain and discuss trends and strategies for the future. He started taking no interest in what happened and became colder towards the private bank, a feeling that he also got from the financial advisor.

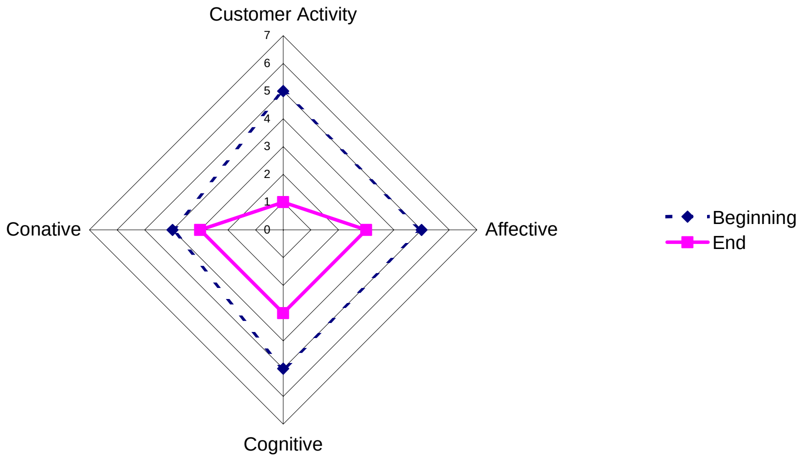


**Figure 34: Components of relationship strength, customer TRY 2**

- *Relationship outcome*

The customer has not yet switched service provider but perceives the general impression of the relationship as very weak contributing to nothing. The behavioural components of the relationship strength have become very weak. He has become completely passive and he perceives the private bank as also being completely passive. No dialogue exists. Affective and cognitive components of the relationship are also weak. Although he does not perceive that they have a valid contract, the annual fee was still drawn by the end of the year. The customer considers personal relationships with a bank as important, staying in contact on a regular basis. But the private bank should initiate these meetings, which is not happening today. Intentions for the future are also weak. He still possesses funds linked to the private bank due to the fact that questions concerning the private limited company have not been solved yet. He has started using other banks but still considers the *bank group* as a very good bank. He states however that he needs something to compare with and he does not like the idea of using two branch offices.

- *Financial advisors perception of the fading relationship*

The financial advisor perceived the relationship as fading when the customer was dissatisfied because he thought the advice had been altogether bad, worse than average. The customer didn't want to listen to her arguments. She perceives that she has been the more active party through proposals and ideas and having reviews with the customer. The strength of the relationship was neither strong nor weak, they had contact quite often and things just kept on going. When the relationship started to fade away, the financial advisor perceived that the background was the economic climate causing less business intensity influenced by the customer's anxiety to come to decisions.

> **Financial advisor:** - I think he looked at us as kind of passive but I perceive that our passivity… because it's me and another one called NN at the trading unit it's all about, it's like this, if you call someone and you give them advice and ideas and then… [he says] "well, I'll think about it", then we get fed up eventually.

The financial advisor doesn't think there are any specific positive or negative issues influencing the relationship, but the customer puts very much time and energy into his work. The courses of events have been like a trend, rather than something happening very fast and there has been no particular change in the customer's behaviour. The financial advisor didn't try to influence the situation in any particular way, but thinks that she could have tried to tie the relationship closer through spending more time on the customer, being more open and building trust, which could have influenced the customer to come to faster decisions but the financial advisor rather puts her energy on other customers. She is surprised that the customer is still holding on to the private bank.

> **- How do you perceive the relationship today?**
> **Financial advisor:** - Well, it, it, we have had a nice, easy going… that's not it. It keeps on going, and he's still around. Don't ask me why.
> **- You find it strange that he's still…?**
> **Financial advisor:** - Yes, I think it's a bit remarkable since he has been so pessimistic. So I find it remarkable, because he was about to switch bank and things like that, has been at the branch office telling people, but he's still confoundedly a customer.

The financial advisor perceives the relationship as weak due to the customer's way of talking and giving hints, his unwillingness to come to decisions and the intensity in the relationship coming from both parties. Both the customer and the financial advisor are passive since the customer has indicated that he wants to wait and see. She has been trying to reach him but hasn't succeeded.

Looking at the future the financial advisor does not think that the customer will stay. She thinks that it might happen that the customer wants her to be more active, but she doesn't sense that she is able to become more active since she gets no response. She believes that there will be changes when the fee will be drawn during the summer.

### *6.4.6 Customer TRY 3*

- *Initial state of relationship*

The customer entered the private bank when realising some capital related to the company she owned. The personal banker at the local branch office recommended the private banking services as one way to get advice and help with investing the capital. The customer listened to the personal banker and didn't really look for other alternatives but decided to try the private banking services. She expected help from a professional adviser that would make her capital grow.

- *Relationship changes*

The customer perceives that the relationship initiated with the private banking unit immediately grew strong. She was quite active since they had contact quite often, about every two weeks. She sometimes followed the advisor's advice while she in some situations did not. The financial advisor was however the more active party and the one initiating the contacts more often. The affective components of the relationship strength were quite strong. A social bond developed between the customer and the financial advisor making the customer's feelings for the bank positive. Looking at quality and performance the customer did not perceive the private banking unit as neither good nor bad making the cognitive components neutral. She had however clear intentions to stay within the private bank.

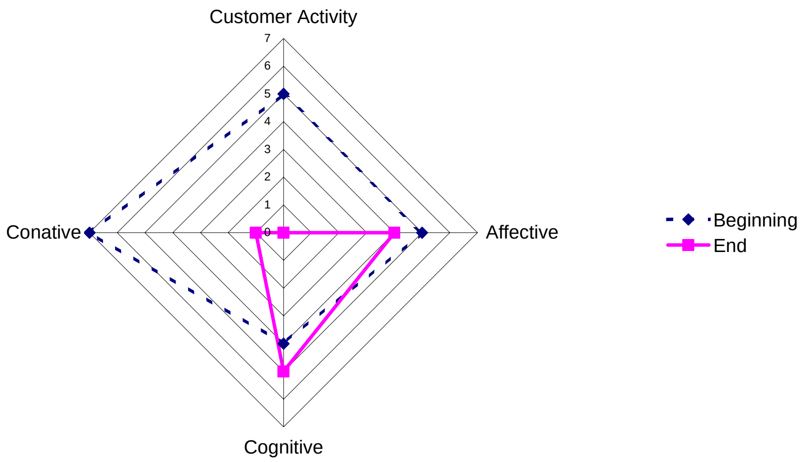


**Figure 35: Components of relationship strength, customer TRY 3**

The customer invested some money coming from her company, but the downward trend on the stock market continued. The customer's general impression of the relationship then weakened to some extent and the positive feelings she had became rather neutral, even though the financial advisor was a nice person. She didn't however perceive that she had got much out of the advice coming from the private bank.

> **Customer:** - Well, it was like I thought, what the heck, did I make any money out of this and is this good? And this is something I get back to, it wasn't maybe only his fault, but I think it was the general… and then you think, why should I pay the annual fee and have this contact if it doesn't bring me any better outcome than if I have others advising me?

After about one year the private banking office was shut down and the customer had an offer to be transferred to another private banking office in another town. After receiving the call from the financial advisor telling him about the closing down of the branch office, she decided to terminate the relationship to the private banking unit. The customer had recently sold her business and moved to yet another town. She decided instead to start using the local branch office within the same bank group in the town where she had moved.

Looking at the cognitive components of the relationship strength the customer did not perceive that the quality of the advice given was necessarily bad although she lost money following the advice.

> **Customer:** -Well, I'm perspicacious enough to know that no matter what I would have done, if I had invested, it would have developed the same. But it's true, if you had invested all money, it would have been a real disaster. I didn't do that now, but instead thought it would be enough with this share.

- *Relationship outcome state*

The customer is today satisfied with using the local branch office in her hometown. She does not believe that she will become a customer in the private banking unit again, since she has such a good relationship to the local branch office. She believes that the personal banker at the local branch office also is competent enough in areas looking at investment advice.

- *Financial advisors perception of the fading relationship*

The financial advisor believes that the customer had somewhat unclear expectations when entering the private banking unit. The customer was a border-line case which may have influenced her to go back to the local branch office and not continue being a customer in another branch office when the first one was shut down. She also had a strong social bond to the local branch office where she lived. The financial advisor believes that the falling stock market probably also made it less interesting to stay within the private banking unit without being able to do much with the invested capital.

The financial advisor got some signals from the personal banker at the local branch office in the customer's hometown. The customer had been talking to the personal banker about the private banking services which she didn't perceive added very much value. The financial advisor believes that the contact at the local branch office contributed to the ending of the relationship since the customer probably perceived that the personal banker was able to provide just as good services as the private banking unit.

The customer called the financial advisor and told him that she wanted to go back to using a local branch office. The financial advisor appreciated the straight communication where she maintained the good relationship with the personal banker at the local branch office as important. The financial advisor did not do anything to make the customer stay, but took instead care of the details that needed to be done in order to administrate the termination. He does not see it as a lost, but perceives the customers as the bank group's customers, and not necessarily only the private banking unit's customers.

> **Financial advisor:** It is the bank [group's] customers, and they should be where the find the services most suitable. It's important that she is a customer in the bank group. If then some customers are mine, that's just something you need to keep track of, but it cannot develop into a situation where you sit around saving customers in order to keep some type of a good customer base. That would be wrong.

The financial advisor thinks that he could have been a bit more active in the relationship regarding some issues that the customer instead chose to settle with the help of the local branch office. But he thinks that the customer was fairly satisfied with the services he provided, but does not think that the customer would come back to the private banking unit since she is so satisfied with the local branch office.

### *6.4.7 Customer TRY 4*

- *Initial state of relationship*

The customer entered the private banking unit in the beginning of 2001 after a recommendation from the local branch office proposing that he should try the private banking services. He didn't really understand why they thought it would be wise for him to do so, he was satisfied with the services offered at the local branch and he didn't do much business with the bank. But he thought it could be wise to give it a try.

> **Customer:** - Well, you start wondering why our personal banker wants us to move to this place. And then they said there were no problems, we could come back if it didn't suit us. So we felt, how to say, not as if we weren't welcome, but a tip, a hint that we should move over to this personal banker. And he would give a lot of time for us and do such incredibly good things. So that's why we tried it.

His expectations were based on the assumption that they at least would get equally good service as the local branch office offered, maybe even better. At the local branch office he had been the one coming with ideas while the personal banker executed his wishes without problems. When entering the private banking unit he expected that the financial advisor would have a more proactive role, coming with proposals.

- *Relationship changes*

The customer's general impression of the relationship was neutral at the start, there were both bad and good things influencing the relationship. The affective components were strong. He had very positive feelings towards the private bank and the financial advisor and he also perceived them as being competent and well functioning. The customer had the intentions to stay and would never have terminated the relationship if it had worked out well. Looking at the behavioural components of the strength, the customer did not really perceive himself as active, but meeting some times and interested in changing his investments to some extent. He perceived on the other hand that the financial advisor showed no activity whatsoever. The financial advisor never initiated any new thoughts or ideas.

> **Customer:** - Yes, from the very beginning until we terminated it, it never happened anything during this year coming from the bank. At least nothing new. I had a business account they didn't do anything about with an interest of one percent, and I started threatening and nothing happened and when I moved back [to the local branch office], then it all happened […] That's why we switched back.

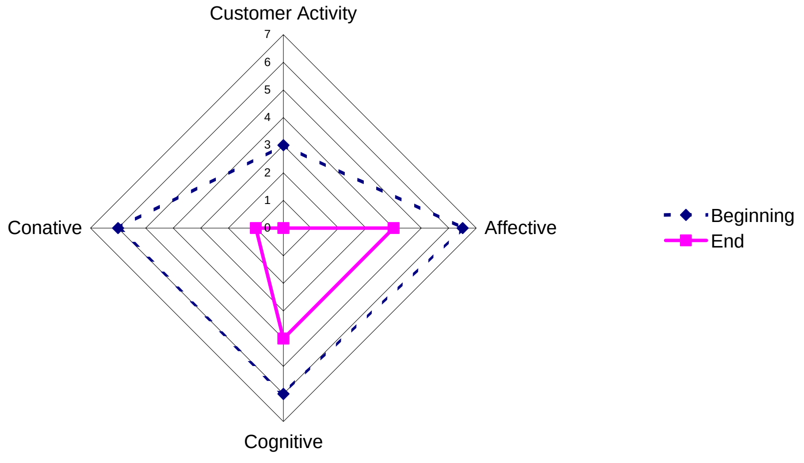


**Figure 36: Components of relationship strength, customer TRY 4**

Nothing happened during spring 2002 and the customer stated that he perceived that the relationship to the private banking unit didn't even exist (although he still was a customer within the private bank). An incident had also caused some dissatisfaction. The customer had asked the financial advisor to perform a transaction. It took a week before the transaction was carried out and the customer lost quite a lot of money due to the delay. The financial advisor left an explanation related to the organisation of the bank group. The customer made some noise about the situation, but didn't care to bother after a while. During the year as a customer he had become less active due to the recession on the stock market. The customer had started to perceive the relationship as weaker before the incident, and the business transaction incident influenced this perception even more. His attitude towards banks in general also changed during the year as a customer in the private bank. He no longer believes that he has to stay loyal to a bank anymore.

> **Customer:** - Well, how should I describe these feelings? I don't know, I could switch bank just like that, to any bank. That's the way I would describe it, I don't care if the name is X [the bank group] or if it's Y [another bank group], I could switch to any bank since you're behind a computer doing business today. You don't really have a relationship to a bank anymore.

They decided to switch back to the local branch office after being customers in the private bank about a year since they did not want to pay the annual fee they would have paid if staying. He simply did not perceive that the private bank contributed very much to his needs for financial service, there was no difference from using a local branch office, so why pay the annual fee for nothing? Both the positive feelings and perceptions of the bank were neutral and the private banking concept had become completely uninteresting to the customer.

> **Customer:** - And then, getting nice cards with lounges… and everything… in Sydney. We understood that we never would come to that place. So there were all these knick-knacks we thought were drivel. So we understood why it cost money. So I would never in my wildest dreams pay the annual fee for that kind of services.

- *Relationship outcome state*

The customer is today using a local branch office, but hasn't had the time to meet with the personal banker yet. After switching back, he does not really know to what branch office he belongs, he has the feeling that he has fallen between two stools not really being a customer in either the local branch office or the private banking unit. The local branch office has however improved interests on accounts and is better at handling issues related to the customer's company. He has never before thought about switching to another bank until now, but says that it's on the other hand not easy to switch bank since he has funds that he's not willing to sell. He is however ready to switch bank as soon as he finds a good alternative.

- *Financial advisors perception of the fading relationship*

The financial advisor believes that the customer ended the relationship due to not receiving the services he was promised. He felt that the customer had high expectations already from start and also that the customer was very focused on not losing anything of the capital he had grown.

> **Financial advisor:** - He was demanding, so to say, I felt already from start that this would be difficult. I was new on the job, so I wasn't sure how to… how things would turn out, so

> to speak. I didn't really have everything clear about what type of instruments I could use either, to be honest.

The financial advisor admits that he might not have been as active as he should have been since the stock market kept on going down. He felt insecure about what to do and he felt as if he had nothing to say to the customer.

> **Financial advisor:** - Well, I was insecure regarding… since the market just kept on downwards more and more, well it continued… things are… I'm not blaming anyone else in any way, I just didn't know… What was I supposed to say? I must admit that I became bloody insecure. What was I supposed to do? I had like nothing to say. But it's true, that it's still important to keep in touch with the customer even if you don't… Maybe in particular then, when there are difficulties, so to speak, on the stock market. But my reaction became rather the opposite.

The financial advisor realised that the customer would end the relationship after a discussion they had where the customer had told him that he didn't feel as if the services added any value. Instead of making the capital grow, it had decreased. The financial advisor had recommended some changes that had made the situation even worse, however following the recommendations from central level.

The process happened gradually, there were no specific situations or critical incidents that influenced the development, but the financial advisor felt as if the relationship slowly but steadily weakened. He made some attempts to save the relationship, but did not put very much effort into it since he felt as if he couldn't do much about it. The customer was a borderline case, which made it less interesting to put more effort into the relationship. The financial advisor thinks that things would have turned out differently if he had not focused so much on the capital when initiating the relationship, but instead focused on long term planning and other issues of value related to the private banking services.

### *6.4.8 Customer TRY 5*

- *Initial state*

The customer entered the private banking unit when the personal banker at the local branch office was transferred to another town. He was very satisfied with the way the personal banker had handled his relationship and he listened to her when she recommended he start using the private banking services. He didn't have much time to actively invest in securities since he had a company of his own and needed a professional advisor. The customer had a meeting with a financial advisor and decided to enter. His expectations were based on the information he got at the meeting with the financial advisor and his mind was set on one thing – to double the value of his current capital.

- *Relationship changes*

The general impression of the initial relationship was quite neutral. There weren't many differences to the relationship he had with the previous local branch office. He perceived himself as quite interested in the new private banking unit and was quite active in the beginning. But most of the contacts were taken on his initiative and he did not perceive the financial advisor as equally active, rather passive. The personal banker at the local branch office had been more proactive.

He was extremely satisfied with all the things the people at the local branch office had helped him with during several years. His many years of contact with the bank group made the affective component of the relationship strength also very strong towards the private bank. The customer wasn't however completely sure whether he would stay within the private banking unit. He wanted to try out the services, and his intentions for the future could be described as "wait and see". The cognitive components of the relationship strength were quite strong, but there were things they could have done better. He wasn't dissatisfied with what they were doing, but he thought they could have been much more active. There was a time in the very beginning where the activity was high, but as the private banking unit increased the customer base, the time left for each customer decreased.

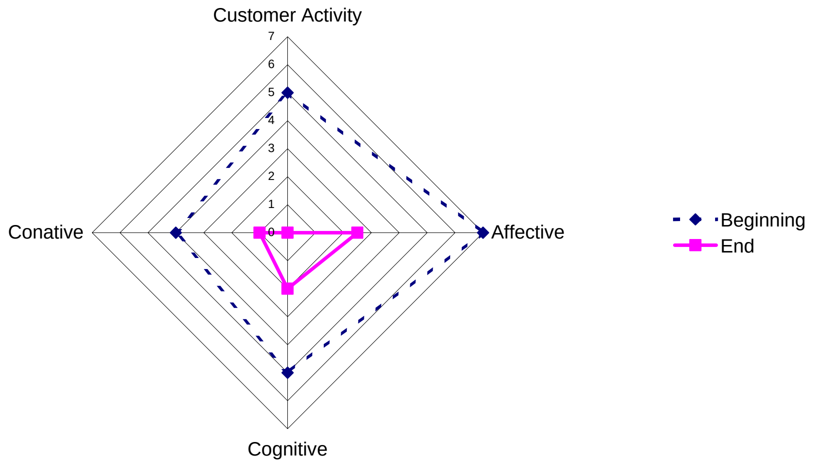


**Figure 37: Components of relationship strength, customer TRY 5**

As time passed and as the recession on the stock market continued, the customer started realising that the economic situation made it inappropriate to invest in securities using his previous strategies, he wanted safer alternatives. He perceived that the quality of the services had decreased at the same time as the annual fee had increased.

> **Customer:** - It was good in the beginning and then it became worse and worse and more and more expensive without me gaining anything from my investments. I know that it's not predominantly the bank's fault, but the bank sort of got paralysed in some way when nothing happened on the market, and gave advice that basically was taken from the sky and then I discovered that these were people not knowing quite as much as they said they did.

The first thoughts about terminating the relationship appeared during summer 2001 when he was about to pay the annual fee to the private banking unit. He decided to continue till the end of the year. The general impression of the relationship had steadily but slowly weakened and was now weak due to the economic losses he had experienced. In December, after about two years in the private banking unit, the customer wrote a letter and cancelled all agreements, sold all funds, and invested in interest-based securities. The reason for terminating the relationship was based on the precaution not to let the capital completely vanish due to the recession and the private bank's bad handling of his investments. He had made some calculations and the decision was primarily based on the economic losses he had experienced.

The customer does not perceive that his feelings or thoughts about the bank group changed during this time, rather towards the private banking unit. Both cognitive and affective components of the relationship strength were weak. He states negative feelings towards the private bank and he perceives the competence among brokers and advisors as low. He had however nothing against staying within the bank group and wanted to switch back to the local branch office, under the condition that they could offer just as good interest-based products as other banks. After some negotiations, he decided to switch back. The private bank made no attempts to make him stay and he thinks that their way of accepting the termination was a bit too passive. He believes that they should put more efforts into learning from dissatisfied customers.

> **Customer:** - Well, they could have called and asked something anyway, done something like you do, with a questionnaire. "How do you perceive the private banking unit today? You have been in the private bank for this time, how do you perceive it?" They could have done something like that, because then we would have been able to discuss what I thought and what they thought we should do. I perceived it as a failing.

- *Relationship outcome state*

The customer is today using three different banks, including the local branch office and he is satisfied with his decision to end the relationship to the private banking unit. His capital has started growing stronger again. The customer is today the one taking initiatives, but believes on the other hand that he knows more about the stock market today and has more time than before to deal with these issues. He believes however that the banking sector would gain much from hiring people that are competent and energetic as well as having social skills. The employees working in the large bank groups remind him too much of people working within governmental authorities.

- *Financial advisors perception of the fading relationship*

The financial advisor believes that the annual fee was the main reason for the customer to leave the private banking unit, he simply did not perceive that they were able to offer services that added up to the amount of the annual fee. The customer was very cost conscious and did not want to pay extra for anything. The financial advisor also thinks that the customer blamed capital losses on the advice given and not on the falling stock market.

His expectations were unrealistic; he expected that the financial advisor would be able to know for example when the recession would end. Since he was very price conscious he was not open to advice where he would lose any money, which made the situation problematic. Especially since the customer was a borderline case with net realisable assets just above the private banking limit. He made some transactions at start, but mostly only listened to her advice, but did not do anything about it. She felt as if the customer did not completely trust her.

The relationship was weak when the customer decided to end the relationship. The financial advisor perceived it as a wise decision since they did not do much business together and helped him administer the new contact with a local branch office. Even though the termination happened quickly, the ending process took place during a couple of months.

> **Financial advisor:** - Well, to me it came all of a sudden, but it did not catch me by surprise. Because he had always… compared interest rates and complained about a quarter of a percentage because bank X or bank Y had a higher interest rate. So I understood that he constantly was comparing and getting information [from other banks].

The financial advisor had felt for a while that the customer had no use for the services. The customer had decided to sell all securities, which resulted in no more transactions. The financial advisor thinks that the private banking services are suitable for customers that are much more active.

### *6.4.9 Customer TRY 6*

*Due to a technical problem during the interview, only written notes taken during the interview formed the basis of the customer's story.*

- *Initial state*

The customer entered the private banking unit since he was dissatisfied with the personal banker at a local branch office in another bank. Due to another family member using a local branch office within the bank group, the customer decided to try the new service concept within the private banking unit. He had a meeting with a financial advisor and believed that the personal chemistry worked out between them. After also considering other alternatives, he decided to let the private bank manage some of his capital, but not all. His expectations focused on capital growth. He wanted the bank to make as much as possible out of the capital he possessed.

- *Relationship changes*

The customer's general impression of the relationship was quite neutral from the beginning. Both affective and cognitive components of the relationship strength were quite strong. He had strong hopes and trusted that it would turn out well and the communication worked out fine. The conative components of the relationship were neutral. He perceives that it is difficult to know whether you are planning to stay since it's hard to know anything about these kinds of relationships, since the advice given very much directs the quality. Since it's impossible to know the quality of the advice until afterwards, it's also difficult to know whether the quality was good or not. He wasn't sure whether he would stay within the private banking unit or not; it depended on the outcome of the investments.

The first financial advisor however left the private bank after about one year and the person replacing the first financial advisor was not equally good since he didn't contact the customer as often as the former. The customer had to be the one initiating all contacts and he perceived the financial advisor as a seller of the bank's products rather than an advisor. The new financial advisor was nice and friendly, but that did not make up for the lack of interaction and the feeling of not getting proper advice.

The customer happened to get in contact with the financial advisor's manager during the summer vacations and discussed the problems. He had however a bad feeling of going behind someone's back and he didn't like it, but felt as if he had to talk to someone. After talking to the manager, the customer didn't have to pay the fee the coming six months. The customer believes this to be a fundamental problem within the private banking unit. The customer has no one to turn to if there is a problem related to the financial advisor; instead there is a risk that the customer chooses to leave the bank.

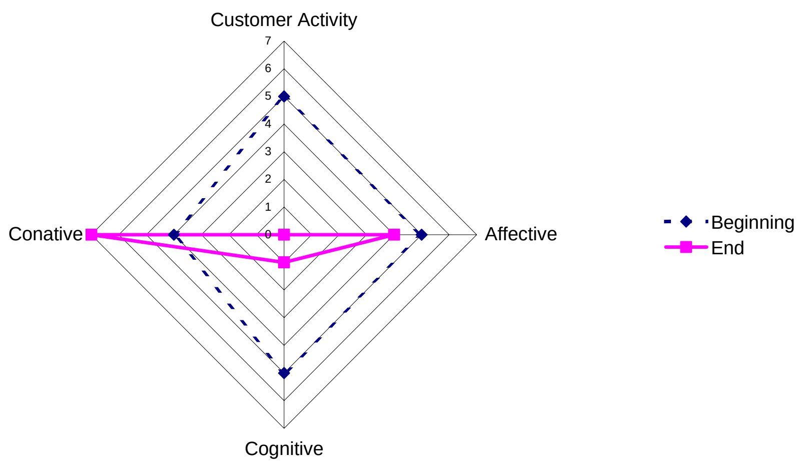


**Figure 38: Components of relationship strength, customer TRY 6**

The customer experienced that the relationship weakened gradually and slowly but did not see any reactions to the problems brought up with the manager and with the financial advisor. This non-reaction was almost expected and he felt it to be a pity that the private banking unit didn't have a sufficiently professional attitude towards its customers to deal with the problems. The positive feelings became neutral while the cognitive components of the relationship became very weak. He did not believe that they could perform what they said they would do.

- *Relationship outcome state*

The customer terminated the relationship before the annual fee was about to be taken from his account and went back to using a local branch office within the bank group. He thinks he stayed within the private banking unit for a too long time. It took time to realise that the private banking unit wasn't able to offer the services he wanted. He does not know how he will act in the future, since he is looking for another bank. He would however be willing to go back to using the private banking unit if they would contact him with a service offering that corresponded to the one they initially said they would provide. They would however first have to prove that they had changed their ways of working.

- *Financial advisors perception of the fading relationship*

The financial advisor believes that the customer's expectations were set too high which also made him terminate the relationship to the private banking unit. He was a demanding customer who wanted the financial advisor to keep track of the market and also provide information about funds, bonds etc. provided by other banks. The financial advisor felt as if the customer did not really understand risks related to investments.

> **Financial advisor:** -They maybe expected us to have a crystal ball and magic wand and deliver incredibly good advice, which constantly would make it [the capital] grow. But it was a constantly reoccurring discussion, “we always want to ride on the recession and then it is up to you to tell us when to get off, and then we should be able to get in [to the stock market] again when it [the stock market] is going up.” It is hard to communicate risk vs. growth, and if you are prepared to do this or that and things like that.

The financial advisor tried to explain but did not really feel as if the customer understood. They had also made some transactions when initiating the relationship with the previous financial advisors, which had not turned out very well. The financial advisor thinks that this situation made them a bit suspicious and less inclined to make more business transactions. The situation was difficult since the financial advisor was trapped in a situation where he should manage a capital without really being able to do any changes.

The financial advisor noticed that the relationship had weakened during a period of time where he was very busy with growing his customer base and did not really have the time to spend on the existing customers. The customer had also been speaking to his manager, which made him realise that they were somewhat dissatisfied with his services. He would describe the fading as a slowly weakening process that started off from a very low level. The relationship was terminated before the annual fee was to be drawn, but the financial advisor believes that the customer had been thinking about it for a while at that point in time. He regrets that he did not realise earlier that the private banking services maybe did not suit the customer. He thinks that that the termination was for the best, even if always is important to look into the issues that made the customer dissatisfied enough to leave.

> **Were there issues that you wish you had done differently?**
> **Financial advisor:** - Much faster come to the conclusion that this [the private banking services] might not be the right type of service for him. It’s like this, when you don’t have very much money and you pay to receive those services and they are not perceived as good… that’s a good basis for the relationship to head in the wrong direction where dissatisfaction becomes an issue. It might be better to say: “Ok, you might not need what we deliver. You would have been satisfied with my services under these and these circumstances, we may instead find a solution that won’t cost you anything”. In a way been more specific about this at an earlier point in time.

### *6.4.10 Customer TRY 7*

- *Initial state of relationship*

The customer entered the private banking unit since he was dissatisfied with the personal banker at the local branch office and had contacted the bank in order to find another solution. He didn’t look at alternative financial institutions due to bonds with the bank group via the company he worked for, believing that it is better to stay within the same bank group. The bank introduced him to a financial advisor at the private bank and they had a meeting. The reason for entering the private banking unit was based on the information the customer got during the meeting with the financial advisor.

> **- Did you have any distinct expectations on the private banking unit when entering?**
> **Customer: -** Well, I only heard what they said, and believed in what they said, I didn’t have any other opinions since I didn’t really know what it was all about before [having the meeting]. What they said made me try.

He got the impression that the bank had a very good insight into the stock exchange etc. having much better information than what is possible to retrieve from newspapers or by searching for information yourself. Since he was offered to try the services for a year and get the fee back if he wasn't satisfied, he decided to try it out. The customer's expectations were based on what was said during the meeting with the financial advisor. He expected to get advice that was better than he would be able to make up on his own through reading newspapers or looking at other sources of information.

> **Customer:** - Well, but you think you have a whole department at the price of the annual fee if entering, that they really give something back and know more than you're able to guess yourself. Because they say they have a bunch of analysts carefully observing and… then they have information that not everybody has, and I believed in that..

- *Relationship changes*

The customer had a weak general impression of the relationship from the very beginning. He felt as if it was more about selling than building relationships. He states that it's more about paying someone who convinces you to buy their products. The customer was passive when entering the private bank and describes himself as a typical passive customer who wants someone to take care of his investments and give advice. He didn't have the energy to get involved with investment issues, except for reading the newspapers and looking at stock market news. Even though the customer perceived the bank to be more active than he was himself he wouldn't say that they were active. They called quite often at first, but it died away more or less when the customer perceived that the recommendations given were bad which didn't make him very eager to invest his money. The customer perceived that there really were no feelings involved in the relationship to the private bank; he remained neutral just as well as he didn't perceive the private bank's competence as much better than any other bank, neither good nor bad.

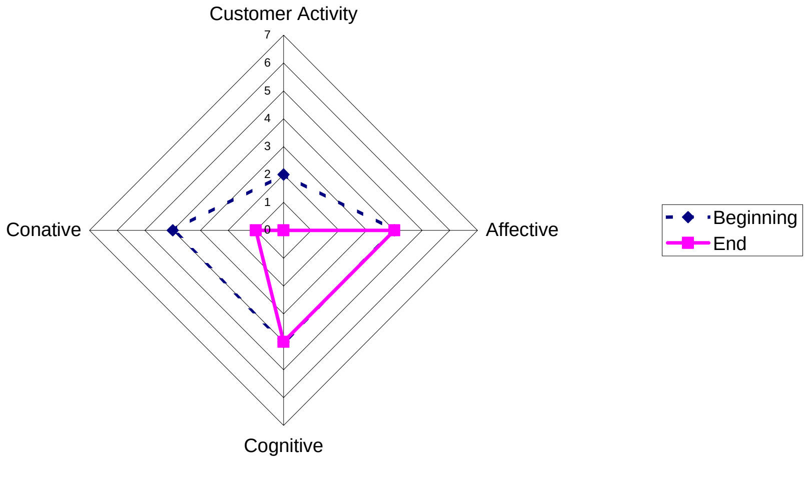


**Figure 39: Components of relationship strength, customer TRY 7**

After about six months the customer started thinking about leaving the private banking unit. The funds he had invested in continued downwards and he got the feeling that being a customer in the private banking unit didn't give as much value as he had expected. He didn't experience any incidents that were either very positive or very negative. The relationship just didn't match the grand expectations he had about their abilities to perform well when giving advice on the stock market when entering. The general impression of the relationship was at this time very weak, there was nothing left. He decided to leave the bank and contacted the financial advisor right away. She wanted however to arrange a meeting with the customer and after the meeting she convinced him to stay a bit longer. The decision to exit the relationship wasn't executed until a couple of months later before the end of the year when the annual fee was about to be paid. There were no changes in his behaviour towards the bank during this time, but he states that he would not recommend the bank to someone else.

> **Customer:** - […] if someone came to me and said "Hey, I've been recommended to enter this private banking unit, they take an annual fee and it's really good, they know everything", then I would say, no, I don't think so. Because I would recommend them not to do it, but instead go and buy some magazines dealing with the economy and follow [the stock market] that way instead. Because I would advise against entering [the private banking unit].

The cognitive and affective components of the relationship strength was however still neutral. He states that he is maybe a bit grumpy, but he hasn't sold any of the funds he invested in so he hasn't lost any money yet even though the capital has decreased.

- *Relationship outcome*

He is today satisfied with using a local branch office. The personal banker assists him in the best possible way, but he is not actively investing his capital today. The customer does not believe that he would go back to becoming a customer in the private banking unit and believes that the only way for the private bank to show him that they seriously would want him back would be to reimburse the capital he has lost.

- *Financial advisors perception of the fading relationship*

The financial advisor believes that the relationship ended due to very high expectations held by the customer. She believes that a financial advisor always partly must look at his/her own share in creating these types of expectations, but regards the customer as having very high demands on the services offered at the same time as he was fairly careful with his money. He expected that the capital would grow instead of expecting that the investments would help him stop a downward trend.

> **Financial advisor:** - I don't know, it happens sometimes that customers, despite efforts trying to reduce [expectations] and discuss how we are working and what you could expect and things like that… I think some customers are hoping that you will be able to do something revolutionary, even if the stock market is behaving like it did.

The investments made were very careful and they invested only a small part of the capital in stocks. The financial advisor does not perceive the customer as active, although they had contact often, they did not do much business.

> **Financial advisor:** - Activity means, how… how often you look at the investments you've made and dare to make changes. Many customers make one change and then nothing happens until something in particular takes place, and then, then you make a change.

The financial advisor did not really think that she fully understood the customer. It was hard to understand what type of expectations he had, until maybe afterwards. She noticed however that the customer was somewhat dissatisfied most of the time. The fading process happened quite slowly and they had a discussion regarding the services a couple of months before the customer ended the relationship. He had been thinking about ending the relationship at that point of time, but she made him wait for a while and tried to strengthen the relationship during this time. She always felt as if the relationship had become stronger after these types of meetings, but did not perceive that it got very strong at any point in time.

She was in other words not surprised when the relationship was terminated after a discussion regarding the value of the services. The customer believed that the value of the services did not level with the costs. He terminated the relationship before the annual fee was drawn and he had also been promised when entering the private banking services that he would not have to pay the annual fee if he was not satisfied. The annual fee was consequently repaid to the customer. The financial advisor did not perceive a conflict related to the termination, they had a fairly good and straight forward dialogue during the whole relationship. Even though there is always bad will involved in a relationship termination since the customer has many valuable contacts to other parties in his environment, she believes that the lost did not mean very much from a profitability point of view since he did not engage very much in much business transactions.

# 7 Analysing fading relationship processes

*The fading processes of customer relationships will in this chapter be discussed in more detail looking at the roots of the relationship, the dynamics of the relationship process, and the drivers of fading relationship processes. These conceptualisations are outlined in the tentative framework as important factors in order to understand the types of fading processes that may evolve and will therefore be discussed in more detail here, also on the basis of the empirical results. The four types of processes will then be discussed in the next chapter according to their main characteristics where a comparison of their main features will also be provided.*

## 7.1 Relationship roots

Although trees might at first glance appear rather static, they are on the contrary growing and living phenomena. We normally only see what is above the soil, but understand nevertheless that the roots are vital for the survival of the tree and the development of the tree trunk, branches, leaves etc. The roots of the relationship are likewise believed to be important for the development of the relationship, and therefore constitute an important aspect for the understanding of fading relationships. There is also a dynamic aspect related to the tree metaphor when talking about roots. The roots of the tree are not only present when the tree is created, but are continuously growing and are needed for the survival of the tree and may also develop in different directions during the tree's lifetime.

The roots of a relationship are here introduced as important for the understanding of fading relationships looking at the relationship background. The roots of the relationships are believed to be important for the understanding of fading since they create the prerequisites for the relationship. Three aspects make up the conceptualisation of relationship roots as introduced in this dissertation: predisposing factors, triggers, and determinants of the initiation of the relationship.

Relationship roots could however be difficult to analyse due to several factors affecting each other and customers not remembering/perceiving the causes or not remembering/perceiving the *actual* causes for entering a relationship. It is for example more likely that customers might mention low price (reason originating in the bank offering) as the cause for entering a relationship, and not the fact that they are always looking for "good deals" (reason originating in for example a personal characteristic or a routine-like behaviour). This is however also a problem in other situations. Roos (1999a) discuss the difference between a trigger and a switching determinant. The trigger is not always obvious to the customer. The customer rather perceives a switching determinant as the reason for switching, but it is actually the trigger that affects the awareness of the switching determinant. Oliver (1997:268-269) also discusses the difference between causes and reasons. Causes are "agents which are capable of bringing about an event or outcome. Their impact can be direct or indirect and even imperceptible to the receiver". Reasons are on the other hand "explanatory accounts by the consumer at the level of a consumer's understanding". This is a dilemma that always is met when dealing with such intangible concepts as attitudes, which also demands much of the researcher's knowledge and understanding of the situation described, and also the right methodology when conducting the study and analysing the results. The conceptualisation of relationship roots therefore looks at different aspects that could influence the relationship development and give a broader understanding of the relationship foundation, not only incorporating the actual causes or perceived reasons for (in this case) initiating the relationship to the private banking unit.

### *7.1.1 Predisposing factors*

Predisposing factors as suggested by Tähtinen (2001) (based on Duck, 1981) describing factors that already exist when a company enters a relationship and making it more prone to dissolution are interesting to discuss when looking at the roots of the relationship. Predisposing factors are fairly static, underlying and structure-like and can be divided into task-related, actor-related, dyad-related and network-related factors. These predisposing factors are here seen as constituting important pieces of information for the understanding of the relationship roots.

- *Task-related*

A professional service relationship is in this dissertation defined as a customized, complex, mainly advisory service developed in a one-to-one interaction or intimate interaction with a few parties, where the unique skills of the professional organisation is decisive for the quality of the services offered. A task-related predisposing factor identified in the current relationships constitute in other words the *complexity of the professional financial services offered* by the private banking unit where the intangibility of the services is particularly intricate since there is a certain amount of risk involved with investing money in for example the stock market. The complexity of the service may influence the fading process of a relationship.

The quality of the private banking services is first of all very difficult to assess for customers. The economic climate in general has a large impact on the private bank's ability to perform their core services. It is hard for a customer (even though very interested and following the stock market) to verify whether the investment advice coming from the private banking unit is better than investment advice coming from another financial service provider, irrespective of economic booms or recession. If the quality of the services is assessed according to the private bank's ability to provide advice that increases invested capital, it would furthermore be impossible to assess that quality without taking into account the investment strategy or horizon based on which the investment advice has been given. Asking about the quality of advice or good performance is therefore very much influenced by the current market trend. Relationships could consequently enter a fading process due to a weakening cognitive component where the quality of advice and the private bank's ability to perform their services is central. The economic climate constitutes a strong contextual factor influencing these assessments, which must be taken into consideration. Customers may therefore more often find the quality of advice and performance as low during periods of market recession, which would imply that there is also probably a higher risk that cognitive components of relationship strength will weaken during such conditions.

Customers are also themselves active in taking decisions regarding the investments they will make. It is always the customer who eventually takes the decision to invest and not the financial advisor. This makes the assessment of the advice even more difficult since the customer is a co-producer of the potential capital increase or decrease due to buying the services offered. The behavioural components of relationship strength may therefore also be influenced by the economic climate since the tendency to interact with the financial advisor and act according to advice given etc. may vary for contextual reasons. Customers may therefore interact less with the financial advisor, act more seldom according to advice during periods of market recession, which would imply that there probably also is a higher risk that behavioural components of relationship strength will weaken during such conditions.

The elements of risk incorporated in the types of services offered by the private banking unit also contribute to the complexity of the services. One of the roles of the financial advisor in such a situation would be to communicate the “unique skills of the professional organisation” to the customers. The customer’s trust in the financial advisor and the private banking unit will therefore most probably have an important role for the relationship. If the customers do not trust neither the organisation nor the financial advisor, they will probably not buy high risk services either. The affective components of relationship strength may therefore also be influenced by the economic climate since trust in the financial advisor or the organisation may vary due to the skills of predicting market changes. Customers may therefore lose trust in the financial advisor or the private banking organisation during market recessions, which would imply that there probably is a higher risk that affective components of relationship strength will weaken during such conditions.

The value of the services offered finally not only depends on how well the private banking unit interacts with the customer, how customised the services are, how well the private bank responds to the customers requests, offers a range of investment products etc. but also on the fluctuations on the stock exchange. If there is a substantial decrease or increase in the capital invested, this will also reflect on the relationship value. The conative components of the relationship strength may therefore be influenced by the economic climate since the value of the services may affect the customer’s intentions to stay with the service provider. Customers may therefore perceive less value coming out of the relationship during market recessions, which would imply that there is probably a higher risk that the conative components of the relationship strength will weaken during such conditions.

The difficulties related to assessing service quality, the co-production of the services, the elements of risk and the market-dependent value of the relationship are therefore all task-related predisposing factors that could influence the fading away of these types of customer relationships.

However, if these factors alone were to influence the development of the relationships in private banking services, all relationships would start fading or growing according to the economic climate. The pilot study showed however that the general impression of the relationships was not expressed by all customers as fading, although financial advisors had been asked to pick out relationships they thought were fading. Some customers even perceived the relationship as growing, although the pilot study was made during one of the worst market recessions experienced during the last decades. Although the pilot study constitutes no base what so ever for making generalisations, it shows nevertheless that a market recession, irrespective of its relative importance, is not the *only* influencing factor on private banking customer relationships.

- *Context-related*

Contextual factors do however have an important role when understanding fading relationship processes. Just as the external growing conditions will affect the development of the tree, the context is here perceived as having an *active* role in the relationship, rather than being something “outside” the relationship. Tähtinen (2001) discuss network-related predisposing factors. This categorisation is here perceived as somewhat limited and will be extended to also incorporate other factors in the relationship context with the potential of being predisposing factors. Instead of looking at network-related factors, context-related factors are here introduced incorporating both the relationship network related to the focal relationship, but also other types of contextual factors. Not only the complexity of the services but also the economic climate has constituted an active actor among the relationships described in this thesis. The qualitative interviews were made during the spring and summer 2003. The difficulties related to building relationships during a recession is emphasised by one of the financial advisors:

> **Financial advisor ALT 2:** -Well, a strong relationship constitutes a relationship when you notice that the customer is committed which creates a good dialogue with the customer. That’s how I would define a strong relationship. It has been difficult during this time when they [the customers] constantly are expecting that you should add value. We have, at the same time, had one of the most difficult situations on the stock exchange market ever. It has constantly been somewhat tarnished, referring to relationships and trust and such things, since most of the advice given has developed in the wrong direction. It hasn’t been easy to build a relationship under the circumstances that has prevailed.

During a fairly short time period, the economic climate had changed dramatically, going from economic boom to a deep economic recession. The relationships were furthermore probably influenced differently depending on when the relationship was initiated. A customer entering the private bank during the economic boom had completely different prerequisites compared to a customer entering the private banking unit when the recession had started.

- *Actor-related*

Prior experience of wealth management services and knowledge about wealth management may furthermore constitute an actor-related predisposing factor. Long prior experience of wealth management services may provide the customers with a broader experience base on which they are able to adjust expectations whereas a shorter experience of buying wealth management services instead may make the meeting with the financial advisor, the information given by the former local branch office and the private banking unit relatively more important for the decisions made and the creation of expectations. The customer may however have acquired much knowledge on wealth management through other sources without buying wealth management services. Figure 40 combines those two factors into a matrix.

| | Short experience | Long experience |
|---|---|---|
| Much knowledge | A | B |
| Little knowledge | C | D |

**Figure 40: Experience and knowledge about wealth management (services)**

Customers in group A have much knowledge about wealth management services but a short prior experience from buying those types of services. Examples of customers found in this group are customers who have not used much wealth management services prior to entering the private bank, have rather managed stock trading or followed the stock exchange intensely on their own and therefore acquired much knowledge regarding wealth management services and wealth management in general.

> **Customer CRASH 1:** […] during these days I was very active myself and followed extensively what happened on stock exchange markets around the world and so forth. I didn't do much business transactions, but the ones I did were done so to speak with my personal banker, but I followed things very tightly.

Customers in group B have long prior experience and also much knowledge about wealth management services. They have often used wealth management services before and know how these types of services "usually are carried out". They may have used either the wealth management services offered by the bank group, or used other financial service providers.

> **Customer ALT 1:** […] I turn to him mostly when it comes to fund management, and I handle my stock portfolio through others, other than a small amount of, well, a couple of hundreds of thousands, are managed by them as well. But Internet banks manage the larger part of my portfolio.

Group C incorporate customers with a short experience from buying wealth management services and not much knowledge about the same. Examples of customers found in this group are customers selling off a business or due to other circumstances suddenly obtaining a large amount of money, however not having the time to put much effort into finding the best service provider or learning about wealth management in general.

> **Customer FIZZLE 4:** Well, we could put it this way, my situation had changed to some extent considering the capital I had since I sold my company in 1998, making a larger sum available. Since I had the money on a bank account they [the local branch office] thought it would be better to let people who know about investments take care of it.

Group D includes customers with little knowledge about wealth management services, but a longer prior experience of buying the same. Typical customers found here are business entrepreneurs or other individuals having obtained much capital during a longer period of time, but no or little time to put effort into learning about wealth management service providers or wealth management in general.

> **Customer TRY 5:** Well at that time I was… had pretty much going on and had no time to put much effort into this business. I thought then that having a professional adviser would make it possible for me not to put so much effort into taking care of my own investment transactions.

The relationship processes described as altitude drops incorporates customers who are knowledgeable about wealth management and actively bought and sold securities even before entering the relationship with the private banking unit. Such a base of experiences provides a better prerequisite for understanding the changes that takes place on the stock market and controlling the situation compared to the customers describing a fizzle-out process. These customers had less knowledge about wealth management prior to entering the private banking unit, which also could make it more difficult to handle a situation where the market goes into a recession creating a risk that the customer becomes more frustrated or almost feels deserted. Having a short experience from buying wealth management services may also influence the expectations created of the services offered. The financial advisor's and the local branch office's recommendations and information about the services consequently become probably more important in such a situation. Not being able to put time and effort into creating an understanding of the services in combination with one-sided information may create fuzzy or unrealistic expectations. Ojasalo (1999) denote fuzzy expectations as one factor that could influence switching behaviour. Possible consequences of expectations will be further discussed when looking at influencing factors on fading relationship processes.

- *Dyad-related*

Most of the customers were customers in the corporate bank group before entering the private banking unit, constituting a dyad-related predominant factor that could make it more prone to fading. Only three out of the 21 customers came from another bank. Most of the customers stayed in other words within the same bank group, although buying a new type of service and thereby also changing interaction interface. Staying within the same bank group may influence the fading of a relationship. Switching back to using a local branch office involves minor switching costs. It is easier to terminate the private banking relationship and go back to using a local branch office than switching to a completely new financial institution due to for example the exit barriers that are inherited in some investment products (such as funds forcing the customer to sell the funds if switching bank).

### *7.1.2 Triggers*

Roos (1999a) discusses triggers, initial state and determinants of a switching process. She uses the terms situational, reactional and influential triggers to describe the directing effects on the switching process and the concept initial state as the beginning of a switching path. Roos (1999a) acknowledges however that the definition of the initial state is somewhat loose and that a switching process could start due to factors that go beyond the initial state. Triggers that made the customer enter the private banking unit are therefore believed to be interesting for a better understanding of fading processes. When looking at the reasons for entering the private banking unit, Roos' (1999a) categorisation of triggers is helpful, described in Table 4.

**Table 4: Categorised triggers – relationship roots**

| Situational Trigger | Reactional Trigger | Influential Trigger |
|---|---|---|
| Realisation of capital | Dissatisfaction with previous personal banker | Other financial institutes contacting the customer |
| Change in life situation | Dissatisfaction with other issues at bank/previous local branch | Private bank contacting the customer |
| Economic climate | Interruption of previous bank relationship | |
| | Pushed by previous local branch office. | |

Three situational triggers are identified as directing the initiation of the relationship: the realisation of capital (due to for example selling a real estate, selling a company, inheritance etc.); a change in life situation (for example moving, retirement etc.); and the economic climate (boom, recession). Four identified reactional triggers constitute dissatisfaction with the previous personal banker or other issues related to the previous bank/local branch office, an interruption of the previous bank relationship (e.g. the personal banker was replaced or got sick for longer periods of time, the closing of a branch office etc.) and also the situation where the customer was pushed or strongly recommended to enter the private banking relationship by the previous local branch office. Two influential triggers were finally identified as other financial institutes contacting the customer or the private banking unit contacting the customer.

Looking at the process of initiating the relationship to the bank, only one of the 21 customers interviewed contacted the private bank on their own initiative. All others were recommended by a local branch office, contacted directly by the private banking unit, or in the case where another bank had been used, recommended when getting in touch with the local branch office to discuss other matters. The promotion of the private banking services were in other words quite intense. Indications in interviews made with the financial advisors pointed towards a heavy emphasis on building a broad private banking customer base where quantity stayed in focus. The customers reporting a try-out process were to a large extent pushed by the previous local branch office to enter the private banking unit. This may have influenced the character of the process as being a "try-out" and the focus on customer quantity may have tempted financial advisors to initiate relationships that already from the start were borderline cases where the net realisable assets barely met the requirements of € 150 000.

Customers in the crash-landing process had on the other hand experienced either dissatisfaction with the previous local branch office or the interruption of a satisfying relationship. Both triggers may in the end have had an influence on the fading process since dissatisfied customers may have been extra sensitive to critical incidents or situations coming up, whereas the satisfied customers may have increased their quality requests on the private banking services, which may have been difficult to achieve.

### *7.1.3 Determinants*

Roos (1999) discusses switching determinants as the customer perceived reason for switching, divided into technical and functional. The determinants appear in different configurations and affect the dynamism of a switching path. While the trigger gives the energy in the switching path, the switching determinant makes it continue. The pushing switching determinant describes what the customer perceives as the reason for switching. The swayer does not have energy in itself to cause switching, but may prolong or strengthen the switching decision. The pulling switching determinant is finally a determinant that may affect a customer to patronize a switched-from company after a switch. (Roos, 1999a)

It is here believed to be somewhat difficult to categorise the entering process determinants according to pushing, swayers and pulling. First of all, since the private banking unit is fairly young, there exist no pulling switching determinants. Secondly, it is not always clear whether a determinant really is a pushing determinant or a sawyer. Deciding the importance of a determinant is difficult since the customer may talk about the determinant as having no effect while reading between the lines says that it really has quite a large importance. Determinants have therefore been categorised according to repellers and attractors, i.e. according to determinants that repels the customer from the previous bank (branch office) respectively attracts the customer to the private banking unit.

There is in some cases an overlapping between triggers and determinants. What triggers the process is in some cases also the reason why the relationship was initiated while it in some cases is not. The trigger “interruption of previous bank relationship” (e.g. the personal banker is transferred to another local branch office) is one example where the relationship could be triggered by the interruption at the same time as the interruption could also be the reason why the relationship was initiated with the private banking unit.

The repellers presented in Table 5 articulated by the customers referred to low accessibility (difficulties to get in touch with the personal banker), bad performance (investment advice the customer perceived as bad), bad person-to-person interaction (the customer did not like the attitude or behaviour of the personal banker), interruption of previous bank relationship (e.g. the personal banker going on sick-leave, the personal banker is transferred to another local branch office etc.), failure to solve problems and the customer being pushed by the former local branch office (e.g. the personal banker recommends the private bank).

**Table 5: Determinants**

| Repellers | Attractors |
|---|---|
| Low accessibility | High accessibility |
| Bad performance | Customised services |
| Bad person-to-person interaction | Good person-to-person interaction |
| Bad services at previous bank/branch office | Proactivity |
| Interruption of previous relationship | Extra benefits (e.g. safe-deposit box, credit cards, VIP lounges) |
| Failure to solve problems | High service quality |
| Pushed by local branch office | Frequent information |
| | Service breadth |
| | Expertise |
| | Exclusivity |
| | Long relationship to bank group |
| | Good advice |
| | Wealth surveillance |
| | Discussion partner |
| | Trial period |
| | Structural bonds |
| | Reasonable costs |
| | Potential capital growth |
| | Large organisation |

The attractors mentioned by the customers were related to high accessibility (the financial advisor would always be available), customised services, good person-to-person interaction (the customer felt confidence and had a positive attitude towards the financial advisor), proactivity (the advisor would proactively give advice instead of react according to the customers wishes), extra benefits (e.g. safe-deposit box, credit cards, VIP lounges etc), high service quality, frequent information (e.g. through morning faxes, e-mail news, magazines, phone calls, mail etc.), service breadth (the private bank would also offer legal services, income tax return services, broker services etc.), expertise (the financial advisor as a wealth management expert), exclusivity (treated differently compared to retail banking customers), long relationship to bank group (trust and confidence in the bank group "granted" the services offered by the private banking unit), good advice (the ability to obtain good advice), wealth surveillance (the financial advisor would look after the investments and react), discussion partner (ability to discuss wealth management issues with the financial advisor), trial period (the customer could try out the services for free), structural bonds (relationship to the bank group through own company or through employer), reasonable costs (the annual fee was considered fair), potential capital growth (the capital was predicted grow x %), and large organisation (the perceived safety offered as the private bank constituted a unit in the larger bank group).

Relationship roots are here conceptualised in Table 6 on the basis of the aspects discussed here: predisposing factors, triggers as well as determinants of the relationship initiation. These aspects are together believed to influence the development of a customer relationship and also constitute one of three aspects that must be taken into considerations when understanding different types of fading processes. The roots of the relationship may increase or decrease the relationship's sensitivity to different types of drivers of fading relationship processes.

**Table 6: Conceptualisation of relationship roots**

| Relationship roots |
| --- |
| Predisposing factors<br>• Task-related<br>• Actor-related<br>• Dyad-related<br>• Context-related |
| Trigger<br>• Situational<br>• Reactional<br>• Influential |
| Determinants<br>• Repellers<br>• Attractors |

## 7.2 The dynamics of the relationship process

Not only are the roots of fading relationships important to understand, but also the dynamism of the fading process itself. Dynamic here refers to motion and change, in contrast to something static. The underlying assumption here is in other words that relationships change and develop.

The development of the relationship process could be said to develop at a fast or slow pace, just as music is played with a varying beat. The component of the relationship strength depicts the tone or the pitch going up and down creating the music. In this case, the melody is based on four notes: the cognitive, affective, behavioural and conative components. A melody played in major or minor however gives different impressions of the melodies. A customer may for example have a fading impression of a relationship without changing her behaviour towards the bank. Bonds, relationship history, the relative importance of the relationship or other factors may filter the components of relationship strength.

Four important issues have been emphasised when describing the dynamics of the relationship development process: 1) the pace of the process, 2) changes in the components of relationship strength, 3) changes in the general impression, and 4) the interaction between the parties involved in the relationship.

### *7.2.1 The pace of the process*

There are mainly two types of relationship development processes that are depicted in the 21 relationship portraits, the pace of the process described as smooth or turbulent. Some customers expresses a gradual shift towards a new level, while others say that the relationship has been going up and down, or that the relationship went very fast from one point to the other. Since the time frame is fairly short it is possible that those descriptions could have been even more different from each other if 20 years had passed compared to this shorter time frame. The changes up and down would probably have been more prominent. The results could however also have been less varied if looking at relationships that had lasted for 20 years since there probably would not have been a turbulent development or a fizzling out going on for 20 years. The possibility to capture young, but still fading, relationships may have increased the types of fading processes found.

### *7.2.2 Changes in the components of relationship strength*

The components of relationship strength have been illustrated with the help of a "compass" depicting the perception of the relationship when it started and when it had been fading or terminated. The compass is based on the Likert scale questions asked and should only be seen as a crude estimate of how the relationship had been changing. The justification of the estimate and the customer's reasoning of the changes taking place give a richer explanation to the course of events. The compass is however useful to illustrate where the changes in the components of the relationship strength have been taking place. Thinking of the different components as strings in a rope, one string may hold the rope together while the others do not have a significant meaning to the durability of the rope. All relationships are furthermore unique to some extent. The dominating component (string) in one relationship (rope) may not be the dominating component in another, even though the same person constitutes a focal actor in both relationships.

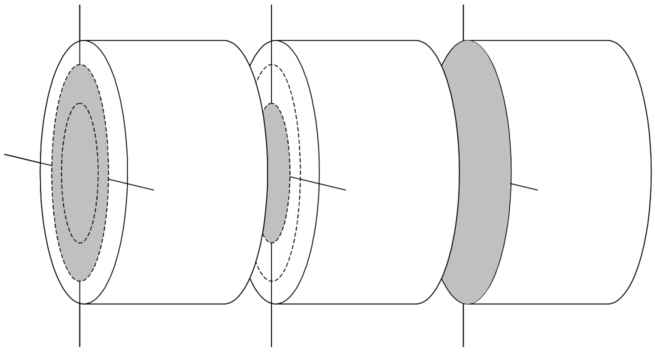

**Figure 41: Components of relationship strength**

The compass is in this study only considering two points in time, but if we could measure the components of relationship strength over a number of different points in time it would be able to illustrate how the rope of relationship strength is more stable (thick) in some situations, whereas quite fragile (thin) in others (illustrated in Figure 41).

The different components make it also possible to look at the types of changes that have been taking place within the relationship. This information could make it easier to decide what type of fading process the relationship has entered and also how the type of process may be affected by the changes in the relationship strength. If there are large changes in the affective components of relationship strength, the relationship may be characterised as a crash landing process whereas the altitude drop process only conveys smaller changes in the predominantly behavioural components of relationship strength. Whereas crash landing processes show large changes in the components of relationship strength or "narrow" initial relationships, the altitude drop processes do not incorporate very large changes, or changes predominantly in the behavioural components of relationship strength.

### *7.2.3 Changes in general impression*

It is problematic to discuss the beginning or the end of a process since processes per se are ongoing, making it impossible to know whether a process will continue in the future even though it seems terminated at the moment. It is however possible to look at the state of a process according to a specific point in time. "Studies focused on processes have to come to an end, whereas the processes in the real world continue. This makes the conclusions a function of the time at which the study was conducted" (Dubois and Gadde, 2002:557). The general impression of the initial and outcome state of the fading processes will therefore be discussed here on the basis of the customers' impression of the relationship when they entered the private bank and when ending the relationship or when experiencing a fading relationship.

Customers were asked to give a subjective estimate (Barnes, 1997; Berscheid and Snyder, 1989; Gwinner et al, 1998) of the general impression of the relationship at different points in time and also justify their estimates. These subjective estimates should be looked upon as guidelines for the interpretation of the relationship development, rather than precise estimates. They have in other words a *descriptive* role for the understanding of the fading process. The justifications of the estimates are of larger importance than the estimates themselves.

The interviewed customers had either ended the relationship or still stayed as customers in the private banking unit. Before a possible ending of the relationships, three different process *outcome* states were observed among the general estimates of the relationships - the relationship was either stabilising, had grown stronger, or continued a fading process. The shift from one point to the other is however less interesting unless we know the point of departure. Combining the process outcome with the impression of the initial state of the relationship gives nine possible combinations of fading processes described in Figure 42. The possibility of relationship ending is constantly present and could happen at any time during the relationship process and is here not considered the last and ultimate phase of a process (Dwyer, Schurr and Oh, 1987). Ending is thus a possibility in each of the nine combinations outlined in Figure 42.

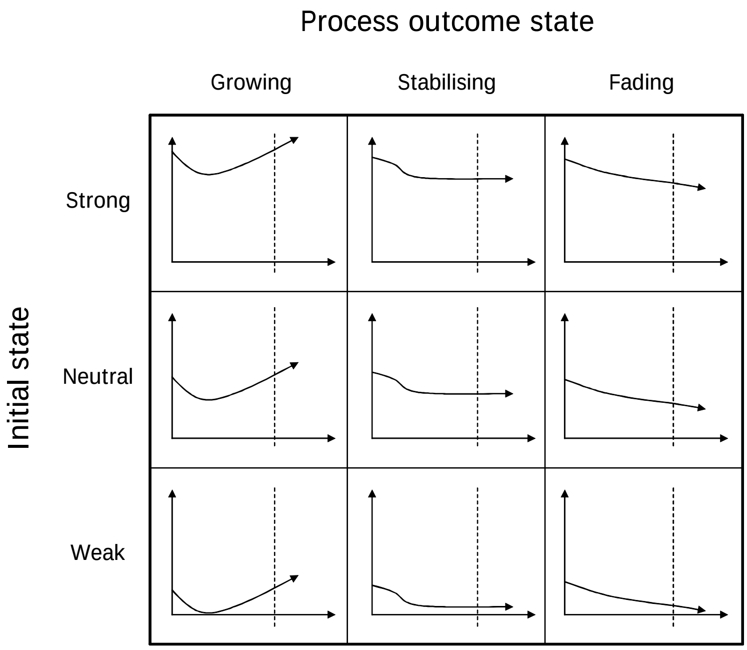


**Figure 42: Initial and outcome states of fading relationship processes**

The general *impression* of the relationship does not always correspond to the *components of relationship strength*. One of the components may be dominating for one customer while another component is dominating for another customer. The sum of the parts is in other words not equal to the whole. Take for example a relationship where a customer expresses negative feelings towards a bank, but still uses the bank. To one customer the general impression of such a relationship could be fading while another perceives it as strong, depending on how they think bank relationships "should" work out. The general impression also filters the components of the relationship strength. In the current setting this could be exemplified with a previously long and satisfactory relationship to the bank group moderating the changes in the components. Although all components of the relationship strength weaken, the customer may still hope that things will get better. This could also be related to what Ojasalo (1999) conceptualises as satisfaction capital.

Just as the customer is able to state a general impression of the relationship, the financial advisor also perceives a general impression of the relationship. This general impression of the relationship is here believed to be important for the way the relationship develops since it directs the financial advisor's way of acting and interacting with the customer, allotting time to the relationship etc. Two parties build the basis for a relationship dyad, and just as Alajoutsijärvi et al (2000) state that it also is important to capture counteracts of the parties involved in the relationship. The financial advisor is therefore also asked to estimate the general impression of the relationship at different points in time giving the possibility to compare the two assessments.

Different perceptions of a relationship could correspond to each other, but just as often do not. Whilst two musicians could interpret a piece of music in perfect harmony, they could just as well play out of tune, out of time, or in the worst case even play two different melodies at the same time without really paying attention to each other (or being able to notice the noise). The different types of fading processes will here be discussed starting with both parties' general impression of the relationships. The subjective estimates show the development of the relationship based on a seven-point scale going from very weak (1), neutral (4) to very strong (7). The illustrations that are based on both customers' and financial advisors' general impressions of the relationship are found in the Appendices.

#### *7.2.3.1 The Crash landing process*

The crash landing processes are of two types: 1) the ones that have been influenced by the focal relationship itself, and 2) the ones that have been influence by contextual factors. The development processes depict how both customers as well as financial advisors have estimated the general impression of the relationship development. The crash landing processes that have been influenced by factors inherited in the focal relationship are quite clearly illustrated in the customers' general impressions of the relationship development in Appendix C, Figure 45. The two first relationships could be described as belonging to the upper right quadrant in Figure 42 having a strong initial general impression whereas the outcome state is fading. The third figure on the other hand belongs to the lower right quadrant with an initially weak general impression of the relationship with a fading relationship outcome state.

It is interesting to note the differences in perceptions between customers and financial advisors. While customers depict large differences, the financial advisors do not perceive very much difference between the initial and outcome state of the relationships. It is of course difficult to estimate how a relationship has developed, especially if you are managing 60-90 relationships. But the differences are quite large. It seems as if the financial advisors did not really perceive the turbulence that was going on. The changes depicted in the financial advisors' estimates are on the contrary extremely small. In the two first cases, the financial advisors have furthermore not perceived the initially strong relationships.

The crash landing processes being influenced by factors outside the focal relationship do not illustrate the same differences in the general impressions of the relationships to the private banking unit illustrated in Appendix C, Figure 46. Although the journey described by the customers is filled with strong emotions and harsh statements, however not in all cases directed towards the private banking unit, it has nevertheless been turbulent.

The general impressions of the relationships could in the first case be described as belonging to the middle quadrant in Figure 42 having a fairly neutral initial state and stabilising outcome, whereas the other case would belong to the lower right quadrant with a fairly weak initial general impression and a fading outcome. The financial advisors also seem in these cases to perceive the general impression of the relationships as stronger compared to the customers perceptions. This could of course come from the fact that the turbulence did not reside in the private banking relationship but rather outside the relationship. The financial advisors may not have noticed that the outside turbulence also influenced the private banking relationship.

#### 7.2.3.2 The Altitude drop process

The altitude drop process shows general impressions of the relationships in Appendix D that differ from the crash landing. Consistent with the stories told by the customers, there seem to be no substantial changes in the relationships and all but one seems to have either stabilised or started growing stronger again towards the end of the period, even in the cases where the relationships have been terminated. The three first cases could be described as belonging to the upper left quadrants in Figure 42. The customer assessments have in these three cases been strong all the time, and never been considered as weak, although they have been weakening.

The financial advisors seem furthermore to be more cautious in their estimates of the relationships in all altitude drop processes. Unlike the crash landing process, they rather seem to underestimate the strength of the relationship. All financial advisor estimates of the general impression of the relationship are weaker than the customer estimates, although they in some cases seem to have noticed that the relationships have regained strength.

One of the processes seems however to have a deeper altitude drop compared to the others. When looking at the relationship portraits, it seems however as if the economic recession seems to be the factor influencing this greater drop which according to the customer has not influenced the possibility to continue the relationship to the private banking unit.

#### 7.2.3.3 The Fizzle out process

Just as in the cases describing an altitude drop, financial advisors estimating the general impression of the fizzle out process, illustrated in Appendix E, assess weaker general impressions compared to customers. The general impressions of the relationships does however not show any distinct differences compared to the other relationship type descriptions and do not necessarily seem to depict the same patterns in the group. This might increase the understanding of the fizzle out process as a process that might develop in different ways where the characteristic is not inherited in the smoothness or turbulence of the process, but rather in the evaporating character of the development, which might not be captured in these types of illustrations or by asking the parties to assess the general impression of the relationship.

#### 7.2.3.4 The Try out process

The try out processes are characterised by the vague intentions of the relationships from the start. Most of the try out processes have also been terminated. The outcome state of the try out processes is in the illustrations in Appendix F often very weak and it seems as if the financial advisors had not realised that the customers' general impressions of the relationships had weakened to the extent it had. The stories told by the financial advisors reveal however that they do not consider the termination of the relationship as very damaging to the private banking unit. They perceived it rather as a natural outcome of a relationship that might not have been intended to continue anyway.

The described development processes shows that customers and financial advisors may have difficulties understanding each other since the general impressions of the relationships differ. If for example the financial advisors do not perceive relationship development processes such as crash landing processes, it may lead to the termination of these relationships. On the other hand, if financial advisors believe that the altitude processes imply weaker relationships than they really do, there might be a situation where financial advisors put time and effort into saving relationships that do not need to be saved. It is further easier to take care of relationships where there have been no critical incidents causing dissatisfaction or frustration, possibly resulting in the avoidance of confronting the problems these relationships present.

The dynamics of the relationship process has here been described in Table 7 on the basis of the three aspects: 1) the pace of the process, 2) changes in the components of relationship strength, 3) changes in the general impression of the relationship estimated by both customers and financial advisors. These aspects are believed to be important for the understanding of fading processes since they describe not only *what* is taking place in the relationship, but also *how* the process is evolving, which is important when depicting types of possible processes.

**Table 7: Conceptualisation of the dynamics of the relationship process**

| **The dynamics of the relationship process** |
|---|
| Pace<br>• Turbulent<br>• Smooth |
| Changes in components of relationship strength<br>• Cognitive<br>• Affective<br>• Behavioural<br>• Conative |
| Changes in levels of impression (customer)<br>• Very strong<br>• Neutral<br>• Very weak<br>Changes in levels of impression (financial advisor)<br>• Very strong<br>• Neutral<br>• Very weak |

## 7.3 Drivers of the fading relationship process

Drivers of fading relationship processes are here perceived as processes that constantly influence the relationship development. Although the economic climate could be described as a wall towards which the relationship is projected (and also indirectly having a large influence on the relationship) there seem to be other drivers that influence more directly the relationship. Quality perceptions, expectations, commitment/involvement, relationship value and critical incidents were discussed as possible drivers of ending processes and will here also be described as possible drivers of fading processes.

One of the keys to understanding fading customer relationships is here believed to lie in the ability to see fading processes through different perspectives, and not only use one approach to study the fading process. A perspective influences what we as researchers choose to see. If looking at fading customer relationship through a critical incident approach, there will be difficulties explaining those processes that seem to fade away but where there is no specific trigger or reason starting the process. In some cases it is impossible to distinguish any critical incidents, but rather a type of saturation or natural decline with no distinct starting or ending point. Trying to find and analyse triggers in such processes would not only be difficult, but also in some cases misleading. Only looking at fading from a satisfaction/dissatisfaction perspective would as a further example make it hard to distinguish the fading that takes place regardless of satisfaction, but instead driven by the relationship context.

We do in other words not only need to know *what* glasses we are wearing, but also *when* to put on a different pair of glasses. Different types of drivers of fading processes will therefore be discussed here. The fading processes described by customers are however not distinctly driven by one aspect, rather by several different aspects. A fading relationship could very well result from a loss in perceived relationship value in combination with a range of negative critical incidents. A lack of perceived relationship value could also influence the perception of negative critical incidents, for example a tendency to be more sensitive to negative critical incidents.

### *7.3.1 Quality perceptions as a driver of fading relationship processes*

Quality and following dis-/satisfaction has been discussed by many researchers as either having an effect on the relationship development, or being moderated by other factors (e.g. Bolton and Bronkhorst, 1995; Fornell et al, 1996; Hirschman, 1970; Jones and Sasser, 1995; Keaveney, 1995; Mittal and Lassar, 1998).

The quality of services and also the quality of advice (the bank’s performance) was often discussed as driving the fading process. While the quality of the services quite easily is evaluated, the quality of advice is, as already discussed, far more difficult to justify since they build on risk profiles and assumptions for the future. Even though the quality of advice may seem to be good during one period of time, the same advice may afterwards be perceived as very bad. It is in other words not the advice itself that changes, but rather the context through which the advice is interpreted. The context in other words takes here an active role in deciding the quality of the advice.

The quality of the advice given is however central to the perception of the relationship as well as the interaction with the financial advisor. When the quality of the core services doesn’t work out, the extra benefits offered by the private bank rather decreased the overall quality.

> **Customer TRY 4:** - And then, getting nice cards with lounges… and everything… in Sidney. We understood that we never would come to that place. So there were all these knick-knacks we thought were drivel. So we understood why it cost money. So I would never in my wildest dreams pay the annual fee for that kind of services.

> **Customer CRASH 1:** - Would you pay for something that you perceive generates nothing? I get a card that says platinum and I get a newspaper and I get loads of crap that finally is worth nothing when the communication I want… I could pay a lot, much more to get that.

> But these small presents, or whatever I should call them, are not worth much. It rather becomes an insult when other things don’t work out well.

Focusing on capital growth or the management of assets may in other words have been dangerous when promoting the services. When the very reason for entering the private banking unit was undermined, the reasons for staying in the relationship also became weaker. Building a core service based on risk may in other words create a basis for more sensitive customer relationships. Expectations on the services were therefore important.

### *7.3.2 Expectations as drivers of fading relationship processes*

The stories told by the customers shows that expectations in some cases have had an influence on the relationship development. The context influencing expectations is here believed to be very important. Ojasalo's (1999) realistic and unrealistic expectations must be understood according to the context in which these expectations were formed. Maybe they weren’t unrealistic when they were expressed, but when looking back they most certainly were. Furthermore, who decides what should be considered realistic or unrealistic? Sometimes a person realises herself that an expectation was unrealistic, but often the other party in the relationship decides whether she perceives the expectation to be unrealistic or not. Deciding whether expectations are realistic or not is here believed to be difficult, but still interesting for the understanding of the relationship development and will therefore be discussed related to fading.

Ojasalo (1999) also discusses explicit and implicit expectations. An expectation that is perceived as explicit by both parties involved in the relationship may however be highly implicit. The perception of an explicit expectation may very well be highly implicit if the parties put different meanings into discussions, even though they have talked about for example the level of quality, they may put different meanings into the quality concept. This may however be said about most of the things people in general discuss. There is always some amount of implicit assumptions taken for granted when discussing things in everyday life. How implicit and explicit assumptions may influence fading is however still interesting and will be discussed.

Ojasalo (1999) also discusses fuzzy expectations as important for the perception of relationship quality. According to Ojasalo (1999) the customer may still experience dissatisfaction even if she doesn’t know what to expect and he claims that customer switching behaviour in some cases may be influenced by fuzzy expectations.

#### *7.3.2.1 Fuzzy expectations – the private banking unit and the services offered*

The expectations on the private banking unit and the services that they offered were in many cases fuzzy. Looking at the relationships studied, most of the customers had been recommended by the local branch office to enter the private banking unit. Personnel at the local branch office introduced the private banking concept to the customer and the customer was then introduced to a financial advisor at the private bank going in to more specific issues related to the services offered, the private banking organisation etc. Both the personnel at the local branch office and the financial advisor at the private banking unit had thus an important role in forming the customer’s expectations. In many cases neither the local branch office, nor the private banking unit itself however really knew what type of services could be expected from the private banking unit.

> **Financial advisor TRY 4**: "[…]well, I presented this using an overhead transparency series we had, and introduced the concept, how it would work out, without really knowing if this was how it would work out or not."
>
> **Financial advisor ALT 1:** "[…] I've been involved in this from the very beginning and he entered so early that, at that time we didn't even know ourselves what the concept meant in detail, but I can't say that it has changed that much, but we didn't know ourselves what it meant, that's just the way things are. We knew basically that it was a concept for our best customers, and then it was created as time went by and it was launched without really having all details completely set.

The financial advisors were furthermore not always sure that their customer clearly understood what to expect from the private banking services:

> **Did you perceive that the customer had a clear understanding of what to expect when entering?**
> **Financial advisor TRY 3**: Well, that's always difficult, I wonder whether anybody really does, nobody really… you are given a presentation and you listen to what is said, well then how much is really taken in and how much is following your heart, that's difficult to say.
> **Financial advisor ALT 2:** Well, this [the private banking concept] was something new, it's probably hard to really have a clear understanding, I think.
> **Financial advisor FIZZLE 2:** Well, that's hard to tell really… not completely convinced that he did have that, no. That's something that I'm not convinced about. No.

This indicates that there was some confusion regarding the financial advisors' own understanding of the concept and what services were supposed to be offered to the customers creating a situation where they were not really sure whether the customers understood it either. Fuzzy expectations were furthermore found among customers in all four process types.

> **Did you have a clear understanding of what to expect?**
> **Customer ALT 5:** Hard to say, to some extent, I guess, well you got this brochure and then we talked for a while about what types of services they could offer and the fees and things like that, I guess we did.
> **Customer FIZZLE 3:** Well, that might have been somewhat woolly. Well, no, as you say, the first meeting is more like this… you just talk in quite general terms and you never really get any further and maybe both parties just sit and expect things without knowing what to expect, as you say.
> **Customer FIZZLE 4:** No, I have to say that I didn't and we had a meeting due to this and they told me about the possibilities and gave me advice about what to do… well how I should proceed quite simply.
> **Customer TRY 7:** No, I just heard what they said and believed what they said. I didn't have any other understanding since I didn't know about it from earlier. What they said made me try it.
> **Customer CRASH 3:** No, I must say I hadn't, well it's like this, to be honest, the local branch office I used, we didn't have… our cooperation didn't work out, rather the opposite, it worked out very bad. So, when he [the financial advisor] contacted me, it was a rather simple choice. […] I got a new interface towards the bank.

The complexity of other relationships, both within the bank group and in the relationship context could for example also influence the perception of the focal relationship, which could affect the ability to create distinct expectations regarding the private banking services. The customer's capacity to pick up information was sometimes disturbed by other issues in the customer's life.

> **Do you think the customer new what to expect when entering the private banking unit?**
> **Financial advisor FIZZLE 1:** Ehh…well, that's… well, there were some question marks, because he was still a customer linked to the trading unit and used a broker too then. So, there may have been some question marks regarding the drawing-up of these boundaries. That was more or less dependent on the fact that in the situation he had, there were lots of things taking up his mental activity and even if I said things to him, telling him that things work this or that way and you are welcome to visit me and so forth, it might not have had a very high priority.

There were in other words fuzzy expectations coming both from the private banking/local branch office and customers. When both parties have fuzzy expectations, there is a risk of creating a *parallel* understanding of the same services, i.e. they talked about *what* they thought they bought/sold, but did not define the content of the issues they discussed or *how* these services would be performed resulting in implicit fuzzy expectations. Implicit fuzzy expectations are here believed to be an important driver of a fading customer relationship process. If both parties are taking things for granted at the same time as the parties do not really know what to expect, there will probably be difficulties keeping a relationship on track.

#### *7.3.2.2 Unrealistic expectations – capital growth*

As already mentioned, the relationships were influenced by the economic climate in which they developed and during which the private banking organisation was built. The private banking unit started off a few years prior to the interviews. Looking at the economic climate, an economic boom was growing, followed by a deep recession. If conducting the same type of study prior to the recession, different results would most likely have been presented.

It is today often said that the expectations on the stock market during the economic boom were unrealistic when the "new economy" made it possible to believe in a constantly growing income of capital. Today we know that these predictions turned out somewhat incorrect. But the expectations created during these years nevertheless influenced the perceived value of the relationships to the private banking unit. Many of the customers entered the private banking unit in order to get help with advice related to the management of their wealth, focusing on the stock market. With the potential of earning tens of thousands on the stock market each day, the annual fee seemed quite modest.

> **Customer TRY 7:** - Well, but you think you have a whole department at the price of the annual fee if entering, that they really give something back and know more than you're able to guess yourself. Because they say they have a bunch of analysts carefully observing and… then they have information that not everybody has, and I believed in that.
> **What was the reason for entering the private banking unit?**
> **Customer TRY 5:** - Well, the reason was to double my capital. My goal was to double my money [...].

**What expectations did you have?**
**Customer TRY 2:** - Well, I had a captial growth reaching 10% constituting my expectations.

One financial advisor states that the private banking unit also reinforced the expectations on the possibilities to make investments grow.

**Financial advisor CRASH 2:** Well, I think that has to do with… when selling this private banking concept, I think, we sometimes promised more than we could live up to, in a way.
**How do you mean?**
**Financial advisor CRASH 2:** That we said, in a way, that there would be a higher activity and it never really became a high activity. It feels as if, although a bit far-fetched, that we promised the moon and the stars, but ehh… because I think sometimes when introducing this, things didn't really turn out all true.
**No, what were the reasons behind that?**
**Financial advisor CRASH 2:** Well, that… I think, or I know the reason behind that. It's like this, the private bank is a unit and then we have the local branch offices that are like our customers so to say and we were to get customers through the local branch offices and the local branch offices didn't willingly let go of their customers and then I think that, in some way, to get customers at all, I mean we had these goals to achieve concerning these issues, and you wanted to attain these [goals] and then I believe that in some way you promised a bite more than you were able to keep.

**Why do you think his expectations were that high?**
**Financial advisor TRY 7:** Well, I must reflect that upon my self, of course. It must be my fault not really making myself clear enough regarding the types of expectations he could have.

Entering the private banking unit with highly unrealistic expectations on the stock market makes the risk of perceiving a relationship value loss much higher, possibly resulting in a fading relationship. If the value of the relationship equals the value of the capital, fading becomes inevitable if the stock market falls.

#### *7.3.2.3 Implicit expectations – relationship activity*

Implicit expectations were also present in the relationships studied. When initiating the relationship to the private banking unit, the financial advisor and the customer had a meeting discussing what the relationship should look like. The private banking services would in many cases include a more active relationship. Discussing how this active relationship was about to develop was one of the objectives of the first meeting. But when listening to the stories coming from both customers and financial advisors, there seems to be some disagreement about how they perceived an active relationship. They had in other words not been very explicit on how activity was perceived and defined.

**Customer TRY 5:** - […] Well, in the beginning we had very much contact, discussing things, but, it was, I thought, too much based on my own initiative, but maybe that's the way it was supposed to be. Maybe I hadn't really got that.
**Customer FIZZLE 4:** - Well, we could put it this way. I'm using the private banking services… my perception is that when the private banking unit enters… they are the ones that should keep the dialogue with me, not the other way around. They get paid to do this and then the dialogue, that part, should first of all come from them when things change.
**Customer CRASH 1:** - […] – At that time I felt that she kept me posted when a change was about to happen that could affect me. Well, gave me recommendations, reasoned about things, and that's how it should be.

While the customer perceives an active relationship as one where the financial advisor keeps in touch, informs about changes and gives advice, the financial advisors often expressed an active relationship as the customer making frequent transactions, i.e. the customer actively selling and buying securities.

> **When talking about "activity", what do you mean? What do you put into that concept?**
> **Financial advisor TRY 2:** -An active customer, that's a customer that brings about lots of deals.
> **Financial advisor TRY 7.:** - Activity means, how, how often you, you maybe look over the investments you've made and dare to make changes. Many customers make a… a change and then leave it that way until something special happens, then, then you make a change.
> **Financial advisor TRY 1: -** […]I had some contact with him, and he had quite many opinions of his own, and the activity was not from an investment perspective that high, looking at change, that's why I say four. We had contacts but his tendency to change [his investments] was fairly low.

The implicit assumptions regarding the relationship activity were made, as previously discussed, during the economic boom. Both customers and financial advisors believed that the relationship they had started would look differently from what it turned out to be. When the recession started, some financial advisors had a difficult time keeping the relationship alive.

> **Financial advisor TRY 4:** No, I would grade… I wasn't as active as I should have been, to be honest, or looking at what we had agreed upon […].
> **What was the reason, why do you perceive that you weren't…?**
> **Financial advisor TRY 4:** Well, I was insecure regarding… since the market just kept on downwards more and more, well it continued… things are… I'm not blaming anyone else in any way, I just didn't know… What was I supposed to say? I must admit that I became bloody insecure. What was I supposed to do? I had like nothing to say. But it's true, that it's still important to keep in touch with the customer even if you don't… Maybe in particular then, when there are difficulties, so to speak, on the stock market. But my reaction became rather the opposite.
>
> **Financial advisor ALT 2:** Well, it's hard to grasp, in many customer relationships, when you notice that you get no response when giving advice and so on and it's not followed-up and then you give more advice and then there's still no following-up, no, it's hard to keep a good dialogue, and unfortunately you're that kind of a person that hesitates and doesn't dare push the issue.

The implicit assumptions coming both from customers and financial advisors regarding the relationship is also believed to be important for a later perceived loss of relationship value (based on the implicit disconfirmed expectations) which may influence a relationship and constitute a driver of a fading relationship process.

### *7.3.3 Commitment/Involvement as drivers of fading relationship processes*

When discussing commitment and involvement as a driver of fading relationships, this refers to the customer's commitment and involvement as well as the financial advisor's commitment and involvement. As the recession started, the customers' interest in actively buying and selling securities weakened as well as their interest in stock market information in general. When discussing an active relationship, customers more often perceived the type and frequency of interactions between the customer and the financial advisor as important while financial advisors also discussed the number of business transactions that were made.

Financial advisors had in other words a wider concept of “activity” than the customers. As the recession continued, the financial advisors often interpreted the lower degree of transaction activity among the customers as a lowered commitment to the relationship. The customers, on the other hand, interpreted the less frequent contacts taken by the financial advisor as an absent relationship. The financial advisors also perceived an asymmetry between the time they actually spent working with issues related to a relationship, and the time the customer perceived them to work. The financial advisors believed that the customer did not completely understand how much time the advisor spent working with issues related to each customer. They did in other words not believe that the customer noticed their commitment to the relationship.

Some financial advisors did also confess that they became less committed to the relationships during the recession period. The citation looking at implicit assumptions regarding the relationship activity shows that they did not always know how to handle the weakening stock market. Customers also noticed this.

> **Customer FIZZLE 4:** -Well, I could say that, it [the relationship] got weaker as the economic crisis became a fact on the stock market. When there was no improvement in sight I experienced a bit of an ostrich-like policy within the banks, they buried their heads in the sand and hoped for things to settle again. There was, and still is, no strategy for how…how you deal with it.

Commitments were in other words decreasing coming from both parties in the relationship. When looking at the analysis of the fizzle out process, this decrease in commitment seems to be the main influencing factor on the process.

### *7.3.4 Relationship value as a driver of fading relationship processes*

A perceived lowered value of the relationship was often stated as an important driver of a fading process. As the economic recession continued, the customers did quite frankly not perceive the value of staying in the private banking unit, paying the annual fee. As discussed previously unrealistic and implicit expectations could lead to the perception of a lack of relationship value. The annual fee would not have been a problem if the relationship had worked out as anticipated. But as the activity among the financial advisors decreased, there was no point in continuing the relationship.

> **Customer TRY 1:** - Well, mostly because it feels as if I can’t get the advice that makes it meaningful so to speak.
> **Customer ALT 3:** - I had a feeling that she [the financial advisor] thought, maybe had thought that it had been time for us to leave for quite a while, because it was completely meaningless when the small sum we had, about a million, had decreased to, well, maybe two hundred thousand.
> **Customer CRASH 2:** - The main reason was that we did not perceive any use for it [the private banking services].
> **Customer TRY 7:** - No, it adds up to nothing. It would cost the annual fee for nothing.

The perceived relationship value, just as the perceived service quality, is in other words very much influenced by the overall economic climate. The value concept is in this case ambiguous since the value of the relationship is related to the inherited value of the core services itself as well as the value of the relationship as such. Financial services are from this perspective different from many other types of services since the product or service bought may lose or gain an objective and potential future value. The value of a meal in a restaurant is more easily appreciated. The meal could be perceived as better or more delicious if the design of the restaurant is more appealing. A nice restaurant will however (most probably) not contribute to a fuller stomach.

The value of the relationship may therefore be influenced by the value of the assets under management making the relationship fade away during an economic downturn. This must however not be true in all cases. Some customers are not as influenced by the development of the assets per se when evaluating the value of the relationship.

> **Customer TRY 3:** -Well, I'm perspicacious enough to know that no matter what I would have done, if I had invested, it would have developed the same.
>
> **Customer ALT 1:** -Well, it's true that I got some bad advice, I have of course lost some money due to the advice I've got the last two years, but it doesn't matter if I would have chosen another bank, I would have got the same bad advice, so no, there have been no changes.

### *7.3.5 Negative critical incidents as drivers of fading relationship processes*

Negative critical incidents appear very clearly to have a dominating role in certain fading processes. In these cases, the descriptions concentrate on specific incidents or situations where the accumulating effects of these incidents finally result in reactions of some kind. These reactions may influence the relationship development immediately or only be smouldering, delaying the effects on the relationship development for a later occasion. The negative critical incidents may take place within the focal relationship, but also related to other actors influencing the focal relationship. Such an example is the bonds to the local branch office.

> **Customer CRASH 4:** I'm saying it one more time, really, the only thing I miss about X [the bank group] today, that is the contact I had with the private banking unit. It was the local branch office's incompetence and miserable handling of issues that caused all this [the ending of the relationship].
> **Customer CRASH 5:** X [the bank group] did a miserable job there and I have still not got any compensation for that and for the… It wasn't the private banking unit, but it was the local branch office where I had the safe-deposit box […]I felt very insulted in stores where I usually make my purchases and they say: No, there is no money on your account. Since I'm used to being considered a reliable customer and then all of a sudden, you're completely unreliable. I just didn't get what was going on.

There were also customers experiencing negative critical incidents related to the focal relationship with the private banking unit, where the financial advisor played an important role. Critical incidents were related to the absence of a financial advisor, either temporarily during for example holidays or permanent when the advisor was replaced, critical incidents related to the services offered, transactions of securities,

> **Customer CRASH 2:** - We finally e-mailed again and at that time he understood that I was pissed off. I think we also told him and then he said: "we were just about to take away the

> limit. I was thinking about you at this very moment." That's just what he always used to say.
> **Customer ALT 5:** - Well, I had some bad luck because this financial advisor I had got ill, and it was pretty… towards the end, and there were long periods where we had no contact.

The negative critical incidents, although they weren't always related to the focal relationship, could influence the relationship development through the dissatisfaction it created among the customers or the effects it had on relationships to other actors, more or less making it very difficult for the customer to continue the relationship to the bank.

Possible drivers of fading processes have been discussed and are depicted in Table 8. The descriptions show however that the drivers are intertwined rather than distinct from each other. Expectations may influence the perceived relationship value as well as critical incidents may influence customer dissatisfaction. The understanding of the mutual influences these drivers have on each other is believed to be important for the understanding of the complexity behind fading relationship processes. Taking a perspective where different possible drivers of fading processes are allowed provides the opportunity to discover different types of fading processes.

**Table 8: Conceptualisation of the drivers of fading relationship processes**

| Drivers of the fading relationship process |
|---|
| Quality perceptions |
| Expectations<br>• Fuzzy<br>• Implicit<br>• Unrealistic |
| Commitment and Involvement |
| Relationship value |
| Critical incidents<br>• Focal<br>• Contextual |

## 7.4 Summary – analysing fading relationship processes

The aspects discussed in this chapter are here captured in a model for understanding different types of fading relationship processes depicted in Figure 43. The different aspects create the basis for the conceptualisation of relationship roots, the dynamics of the relationship process and drivers of the fading relationship process.

The roots of a relationship are looking at the relationship background building on predisposing factors, triggers, and determinants of the initiation of the relationship. The roots of the relationships are believed to be important for the understanding of fading since they create the *prerequisites* of the relationship indicating if something in the relationship background may influence the relationship to become more prone to fading. The dynamics of the relationship process emphasises *how* the fading process is developing building on the pace of the process, changes in the components of relationship strength combined with the general impression of the relationship.

The drivers of the fading relationship process is finally not perceived as issues that are present at a specific point in time, bur rather processes that constantly influences the relationship development. One of the keys to understanding fading customer relationships is here believed to lie in the ability to see fading processes through different perspectives, and not only use one approach to study the fading process. The drivers of the fading process are therefore illuminating different types of possible drivers, not only concentrating on one generic driver.

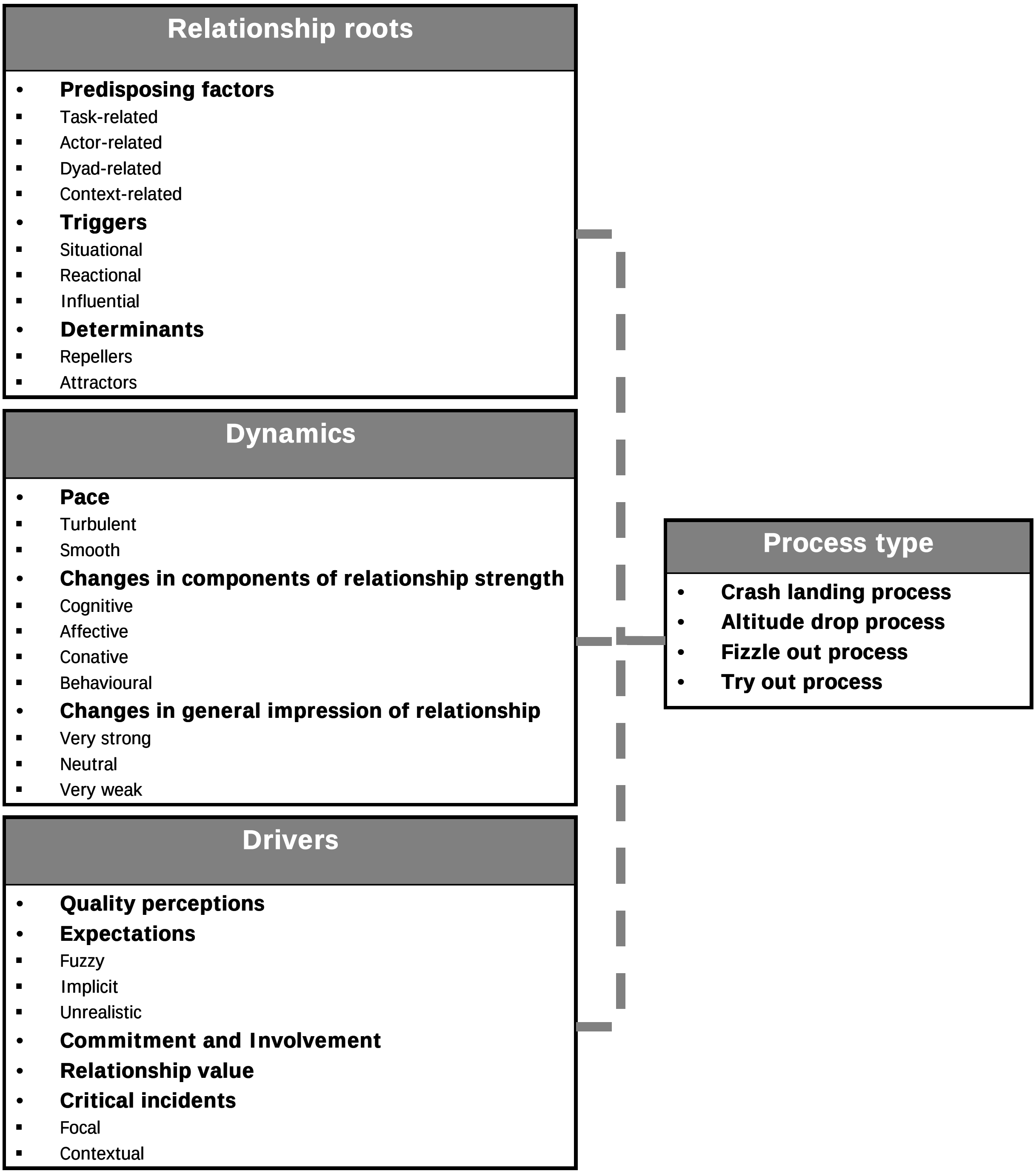


**Figure 43: Model for understanding different types of fading relationship processes**

The model does not picture the fading process itself. The conceptualisations are instead illustrating factors that here are considered important for the understanding of different types of fading processes. There is in other words no causality underlying the model implying that for example the relationship roots will lead to a fading relationship. The model is instead pointing at sources of information that are of importance when understanding the complexity of fading. The next chapter will therefore focus on the processual character of the different fading types and analyse how the aspects discussed in the model may have influenced the processes.

# 8 Discussing the four types of fading relationship processes

*Important aspects in order to understand different types of fading processes have been discussed in the previous chapter based on the model for understanding fading relationship processes. The identified fading processes will therefore be discussed here looking at the characteristics of the different types. The discussion is based on the findings coming both from the Negative Critical Incident Mapping pilot study as well as the follow-up qualitative study based on 42 interviews with customers and financial advisors.*

## 8.1 Discern types of processes

The previous chapter discussed the fading process on the basis of a multitude of aspects providing the opportunity to give a more complex picture of the processes at hand. The presented model is proposed as a tool for discerning different types of processes. The fading relationships will in this chapter be discussed according to the four ideal type processes presented in Chapter 6. The four processes will be discussed on the basis of their main characteristics giving the reader the possibility to see patterns in the details discussed in the previous chapter. The patterns outlined in the ideal type processes should not be understood as generalisations, but instead as abstractions, i.e. theoretical constructs that build on the information retrieved from the qualitative interviews. The interviews have indicated possible tendencies, which are revealed in the ideal types presented. The purpose of qualitative interviews is thus not to generalise, but instead create a holistic understanding of a complex phenomenon.

### *8.1.1 The crash landing process*

The ideal type conceptualised as a crash landing process is characterised by a turbulent process incorporating critical incidents or situational factors influencing the relationship development. The development process takes fast and quite large turns.

> **Customer CRASH 3:** Well, in my case the curve went sheer down. As the stock exchange rose, the curve outlining my trust went down.

The turbulence may be influenced by factors in the relationship context, such as life or work situation, economic climate, other bank relationships, the stock exchange etc. or by factors in the focal relationship, e.g. a dysfunctional relationship to the financial advisor, bad interaction with other persons within the private bank, problems related to the services offered etc. A range of different critical situations or incidents as well as a single incident may trigger the situation, which is perceived as an unpleasant experience by the customer. The relationship strength has a dominating affective weakening with very negative affective responses such as disappointment, anger, frustration, hate etc. characterising the stories told by the customers.

> **Customer CRASH 4:** […] well, it's like what is commonly said about banks, they are very, very nice during prosperous times. If you start getting problems in a recession, they are disgusting. It's really horrible, the fact that it is possible to be like this. From being a kind of a little hero coming to the branch office, drinking coffee with the employees, to not barely being let into the bank any more. […] I am, if not filled with hatred, in any case extremely disappointed.
>
> **Customer CRASH 5:** I don't know whom to turn to. It's rotten, really, I think it's really rotten. I only talk crap about X [the bank group] as a bank. I cannot se that the bank serves any useful purpose.
>
> **Customer CRASH 3:** For those who entered at a bad time, it was a disaster. To me it was anyway… private banking was a catastrophe. And that… I won't ever forgive them.
>
> **Customer CRASH 2:** We finally e-mailed again and at that time he understood that I was pissed off. I think we also told him and then he said: "we were just about to take away the limit. I was thinking about you at this very moment." That's just what he always used to say.

The negative critical incidents described in the customer stories are related to the absence of interaction or dialogue with the financial advisor, the lack of advice coming from the financial advisor, negative results due to advice given by the financial advisor, problems related to credit cards or transfers of money, and troubled relationships to the former local branch office. These critical incidents triggered the processes where the relationship strength weakened quite much.

In the cases where problems resided outside the focal relationship (the former local branch office) the turbulence of the process was directed towards the local branch office although influencing the relationship to the private banking unit through the perception of the relationship to the bank group creating a spill-over effect. Although the crash landing process may be influenced by contextual factors they do nevertheless influence the relationship strength to the private banking unit if the financial advisor has troubles sorting out the problems at hand. The financial advisor's power to act as a mediator between the former local branch office and the customer is limited. Being caught up between the customer and the former local branch office is a difficult situation to handle.

> **Financial advisor CRASH 4:** Who was in charge of his [the customer's] business matters? Was I, or the broker? The local branch office was also involved in addition to that, with regard to various mortgage deeds. So, from an administrative point of view it was a bit troublesome.
>
> **Financial advisor CRASH 2:** Well, it's always easy to be wise after the event, and it would probably have been possible to be even more explicit towards the local branch office manager at X and really maintain and see to it that he took care of the things he was supposed to, I should have done that, I guess.

The crash landing processes are critical to the private bank since there are quite big chances that the relationship will be terminated if the financial advisor or some other party is unable to solve the problems related to the relationship. The role of the financial advisor is crucial. Grönhaug et al (1999) found that social bonds in some cases rather hampered than eased the flow of information. This assumption has here been identified as having two implications. One related to the financial advisor and the other to the flow of information.

Looking at the perceptions of the general strength of the relationships, it seems as if the financial advisors managing the crash landing processes have not really noticed what was going on. Their estimates of the general strength of the relationships were stronger than the customers' estimates. This is also obvious in some processes where the financial advisor does not seem to realise how disappointed the customer really is. The customer may express very harsh feelings whereas the financial advisor talks about the relationship as quite unproblematic. If problems are related to a dysfunctional financial advisor relationship the customer may in other words experience a dilemma. Although the customer might think of the financial advisor as a nice person, it does not compensate for a perceived inability to handle problems based on his/her role as a financial advisor. Since the financial advisor should be the main interaction interface with the private bank, the customer is not always aware of whom to turn to when problems arise. The customer feels as if going behind someone's back when looking for solutions to the problems and talking to the financial advisor's manager or supervisor is almost regarded as letting on to somebody.

> **Customer CRASH 1:** […] It feels damn rotten whining about NN like this, because I still like him in the way that he's a really nice guy, but, I can't… it's my economy, we're talking about hundreds of thousands. […] It feels as if I'm doing things behind his back when doing like this and it doesn't make me feel good.

Social bonds may have prevented the customer from dealing with problems and prolonged the agony involved with the dysfunctional relationship providing the risk that every single incident or interaction with the bank (no matter how neutral or positive) potentially could be interpreted as negative adding to the core problem. This hinders the revealing of valuable information. If the customer finally decides to deal with the problem, there is a risk that the customer overreacts.

> **Do you think that he, or the private banking unit, noticed that you were leaving?**
> **Customer CRASH 3:** I think so, because I yelled at him for an hour, so I guess he understood things were serious.

When the focal relationship itself becomes the problem it is not only difficult for the financial advisor to perceive the problems related to himself but it also constitutes a problem when reporting this information as it puts the financial advisor in an unfavourable light. Losing a customer or failing to manage a successful relationship becomes apparent when each financial advisor manages a small customer base of 60-90 customers each compared to a situation where each personal banker manages several hundreds or thousands of customers (as in traditional retail banking).

Altman and Taylor (1973) discuss the depth and breadth of close relationships stating that deep but narrow (short history) relationships may be more vulnerable to conflicts in the relationship. Indications of this notion are found in relationships where the initial phase has been outstandingly positive but where the relationship later literally has crashed to a very weak level.

> **Customer CRASH 1:** No, I thought it was great, it was very positive. After the first meeting when we sat down and talked it felt great and, like I told you, like… when he said that he rather wouldn't want me to do anything without completely talking to him, to avoid him loosing the grip, it felt, wow, this is a true jackpot. Much more than I ever would have

> expected. […] I was in other words really satisfied [in the beginning]. And that's maybe also why the disappointment was so deep when changes came.

Referring back to the social bonds hampering the flow of information, these relationships may be more sensitive if a financial advisor believes that the initially very strong relationship will ”filter” less favourable interactions or episodes. There is in other words a possible asymmetry in the ideas proposed by Voima (2001) where the initial relationship quality could filter most types of triggers. A poor initial quality may filter negative critical incidents resulting in customers perceiving them as normal. A good initial relationship quality may on the other hand make negative critical incidents even worse depending on the length of the relationship. A relationship that has reached a high altitude may have more critical consequences for the future if crashing down compared to a relationship that did not reach the same altitude.

A crash landing process could not only incorporate relationships where the relationship has been extremely strong in the beginning. Just as the take-off is a critical moment when flying an airplane, the relationship may also crash even before it has reached the intended altitude/strength. The common denominator is the turbulence of the process, which could take place even in those relationships that barely “took off” not reaching a very strong relationship before crashing. Dwyer, Schurr and Oh (1987) established that termination might happen at any time during the relationship development, which also could to be true with regard to fading. Relationships could experience a crash landing just after take off.

In the cases where the relationship has been terminated there is one final critical incident that has triggered a total switch, which could be conceptualised as irrevocable according to the customers. The customers have no intentions to switch back to the private banking unit in the future.

### *8.1.2 The altitude drop process*

The altitude drop process is characterised by a rather smooth process. The customers do not report critical incidents that influence the relationship development, but rather perceives the economic climate as the main influencing factor on the fading relationship and also the trigger of the fading process. The customers are interested in wealth management services and their interaction with the bank is dependent on the changes on the stock market. The weakening relationship strength is dominated by behavioural components (e.g. less frequent interaction, less intense use of services offered) of the relationship while there are no distinct changes in the customers' affective components of relationship strength. Despite the deep recession on the stock market, the customers do not blame the private bank for not being able to manage the capital invested in a better way. They seem to perceive a mutual responsibility for the investments made where they are aware of their own role as decision makers when investing capital.

> **Customer ALT 1:** Well, it's true that I got some bad advice, I have of course lost some money due to the advice I've got the last two years, but it doesn't matter if I would have chosen another bank, I would have got the same bad advice, so no, there have been no changes.
> **Customer ALT 2:** Yes, I had a limit on… on what would trigger it all, well a monetary level, and then it went under that level, and then I sold out. […] If the market would have

> regained, or if the market had stabilised I probably would have stayed [in the private bank] I guess, yes.
> **Customer ALT 3:** - No, I think, towards the end when everything started to decline it was of course the relationship to the system, the counselling I started to lose faith in, but that did not fall upon, from my perspective, so very much on NN [the financial advisor].
> **Customer ALT 4:** I'm quite neutral, I would never talk about the bank in negative terms with somebody else and I would never recommend someone to switch bank. A neighbour recently switched from the private bank, but not me.

The customers in the altitude-drop process are knowledgeable about wealth management (services) belonging to group A and B looking at experience and knowledge as predisposing actor related factors. The customers knew more or less what they wanted to do when entering the relationship, and perceived the financial advisor's role to be a sounding board. Their way of relating to the financial advisor resembles Magrini and Thomas' (2001) description of the category of private banking customers conceptualised as "validators" who make their own decisions but discuss them with the private bank before implementing them.

The financial advisors do not perceive that there have been any particular problems related to the relationships and also perceive the process as rather smooth and have a similar picture of themselves and their role reminiscent of the role emphasised by the customers. The general impression assessed by the financial advisors is, in contrast to the financial advisors involved in the crash landing processes, weaker than the customers' assessments. They believe in other words that the relationships are weaker than they really are. Since the altitude drop processes mostly show weakening behavioural components such as less interaction frequency, concentration of business etc., which are quite easily detected, the weakening is also easier to identify.

The customers reporting an altitude drop process evaluate the services offered by the private bank in a rather rational manner. The factor driving the fading process seems to be a loss of perceived relationship value. They recognise issues related to the cognitive components of the relationship strength, e.g. quality of advice and performance as somewhat weaker but not to the extent that they influence the general impression of the relationship. Their way of discussing the private banking unit does not contain many statements with affective nuances. On a more general level they state positive feelings towards the private banking unit and their financial advisors, but when asking them to elaborate on this discussions are instead again directed towards issues related to more cognitive components of the relationship strength for example perception of performance, competence, service quality, information quality etc. instead of feelings. One of the customers (1B) also comments that there aren't many feelings involved in these types of relationships.

> **Customer ALT 5:** - Well, I mean feelings and things like that, it was more like settling things, but any, like, personal feelings related to the person, that, I wouldn't say so. No.

Whether they have terminated the bank or not, they still have positive statements regarding a future relationship. They may very well switch back to becoming a customer in the private banking unit if contextual conditions (e.g. a better economic climate) change and they perceive a need for the services offered.

> **Customer ALT 2:** I'm not unfamiliar with the thought of coming back again, if I become more active on the stock exchange.

### *8.1.3 The fizzle out process*

The fizzle out process is, just like the altitude drop, characterised by a smooth process. There is however a distinction between the types of processes described in the way that the relationship just seems to *passively* come into nothing, reminiscent of the type of saturation process discussed in Asplund (1967), but with the difference that the fizzle out process does not describe a situation where the customer is fed up or has had enough. Ojasalo's (1999) evaporation of satisfaction capital due to absence of interaction is more representative of this type of fading process. The satisfaction capital would in this case be translated into the relationship strength slowly evaporating due to absent interactions. Opposite to the altitude drop process, the weakening may be revealed not only in the cognitive components of the relationship strength, but also in the affective, behavioural and conative components of relationship strength.

Among the relationships classified as fizzle out processes the customers enter the private banking unit since they do not have time themselves to put energy into dealing with their private economy since their work demand too much energy. They are what Magrini and Thomas (2001) would conceptualise as "delegators" handing things over to the private banker. They have a short experience from and not much knowledge about wealth management services. They have a quite neutral view on money. Even though they may have lost money, they have other things to concentrate on and money is after all just money.

> **Customer FIZZLE 1:** Somewhere it's good to have somebody taking care of things. Anyway in the situation back then and how it is right now. Well, maybe not now, but then. Because then I had absolutely no time with this [investments] because I had two companies, just started and everything. And it [the investments] didn't even exist in my head. Dead substance lying around somewhere.
> **Customer FIZZLE 1:** […] So it has been a gradual process and I have other things to be happy about. It's not hard.

The fizzling out starts due to the *lack* of interaction triggering the process rather than an actual incident or a situation triggering the process. The absence of commitment coming from both parties on the relationship seems to be important for the understanding of this process. The customers realise after some time that the private banking services did not turn out the way they thought they would at the same time as they perceived the financial advisor activity as very low. The realisation does however not happen over night; it has rather grown over time.

> **Customer FIZZLE 1:** There was some excitement in the beginning, and then it became less and less exciting and then I completely lost interest, and then it hasn't really been present any more. […] So it has happened successively and I have other things to rejoice. It's not that tough.
> **Customer FIZZLE 3:** I wouldn't be able to describe other than no more contacts, neither on their part, nor on mine. It's more or less… it just came to nothing. Because there was no particular… anything in particular that happened, it wasn't. It just simply… came to nothing.

> **Customer FIZZLE 4:** […] we had some feedback at least a couple of times per month, but then it died out completely and I don't think I have had not even one conversation during the whole year.

The customers perceived an absence of interaction and communication with the financial advisors, which had an impact on the fizzle out process. The delegators found themselves with no one to delegate things to and when the financial advisors did not interact, the customers didn't either.

The fizzle out process seems to be perceived from both parties in the relationship. Customers report weakening interaction and dialogue with the financial advisor while the financial advisor recognises a weakened interest among customers and also trouble dealing with the situation where the weakening market more or less sweeps the core service under the carpet. The risk of initially promoting the capital growth as the foundation for the private banking relationship becomes apparent. It seems as if the customer are not fully aware of their own role in the relationship as the parties making the decisions to buy securities or not. The role of the advisor was also questioned where customers did no seem to perceive a difference between the financial advisor and a salesperson.

> **Customer FIZZLE 2:** […] Well, you could call it advisor, but it is really a salesperson selling the bank's products and nothing else and I believe therefore that it's wrong to charge, but I avoided doing so in the beginning.

The ostrich-like policy adapted by the financial advisors is an interesting phenomenon revealed already when conducting the pilot study. One financial advisor participating in the qualitative phase of the pilot study reported difficulties creating an interesting dialogue with the customers during the market recession.

> **Financial advisor participating in pilot study:** - It can sometimes be hard to come up with new ideas, like now for instance when nobody knows what happens. There are a bit too many phone calls only to ask how everything is going and if you have been playing golf lately.

The critical incident that reflected this notion was number 14: the customer experiences difficulties getting concrete investment advice during market recession periods. This was also the negative critical incident that scored highest on the problem index reported by customers.

The fizzle out process is in other words built on the evaporation of relationship strength where distinct stages or phases are hard to distinguish. This makes it also difficult to detect this type of process building on behavioural data. It seems however as if both financial advisors and customers have had a feeling of a fading relationship, which could make the relationship dyad the most reliable source of information regarding the fizzle out process.

### *8.1.4 The try out process*

The try out process is characterised by rather weak or neutral conative components with regard to intentions to stay in the private banking unit already when initiating the relationship. Tähtinen (2001) discuss episodic relationships and terminal relationships, which might seem as similar relationship development processes. Try out processes differ however from these types of relationships since there is no mutual agreement that the relationship should end when entering as the case would be in an episodic relationship. There is furthermore no reluctant obligation for the parties to keep a relationship, as would be the case in terminal relationships. The customers perceive however the relationship more or less as a try out when entering and are also often offered to try the services for a period of time without paying the annual fee.

The customers perceive the potential capital growth as the main reason for entering the private bank. It seems as if the expectations built on the private banking services were somewhat unrealistic focusing on the notion to gain more money and in some cases also the dream of making a good bargain.

> **What type of expectations did you have?**
> **Customer TRY 5:** Well, it’s like I said from the beginning, I wanted to double my capital.
> **Customer TRY 2:** I had a capital growth of 10% and based my expectations on that.
> **Customer TRY 3:** Well, that would be getting help with making the capital grow. I guess that’s what people want if you are looking for help and have some money.
>
> **Are there any issues that could have directed the relationship in any way during this period?**
> **Customer TRY 2:** Yes, making a bargain, a really good deal.

Even though the expectations are distinct, they are also somewhat unrealistic with very much focus on the potential to *grow* the capital, instead of the potential to *manage* the capital. The expectations were created during a positive market trend, but when the economic climate results in a market recession, it becomes difficult for the financial advisors and the private banking unit to meet the expectations coming from the customers. These unrealistic expectations were also noticed by financial advisors talking about the difficulties living up to expectations that were set too high, however aware of their own responsibility in setting these expectations.

> **Why do you think his expectations were that high?**
> **Financial advisor TRY 7:** Well, I must reflect that upon my self, of course. It must be my fault not really making myself clear enough regarding the types of expectations he could have.

The weakening relationship strength manifests itself in dominantly cognitive components. The customers blame the private bank for not being able to give better advice concerning their investments and also for not providing serious advice.

> **Customer TRY 4:** Nothing happened. Absolutely nothing happened, so we had in other words no relationship and I will never have one with such a relationship to the private bank, in any case not with X [the bank group]. Because, that’s how bad it was, it will never happen. And we never really came to establish a relationship, in order to establish one, then you sort of need to exchange services in a way.

The try out process is also influenced by price consciousness among the customers. The annual fee came up several times during the interviews and the annual fee was also an important factor when deciding whether to end the relationship to the bank or not.

The conceptualisation of the try out process is not only related to the customers' way of relating to the private bank, but also to the financial advisors' way of discussing the customers. It seems as if the financial advisors also believed that the private banking services maybe turned out somewhat unfortunate. None of the financial advisors perceived the loss of these customers to have serious consequences. This does however not mean that they did not care about the loss; they rather saw it as a natural consequence since both the customer and the financial advisor during the relationship development had discovered that the private banking services might not have been a suitable solution for the customer's needs. They do however acknowledge that there might be other aspects, except for the direct loss in volume, related to a terminated relationship.

> **Financial advisor TRY 5:** Well, looking at it from my perspective it is absolutely less important from both a profitability and a volume point of view. It is a very small customer, but it's true, it might be a loss of prestige to the office. I don't know if they might think of it that way.

Financial advisors are also in some cases regretting that a relationship has not been terminated earlier. Ending a relationship before it turns problematic may constitute a better strategy than engaging in mouth-to-mouth resuscitation.

> **Were there issues that you wish you had done differently?**
> **Financial advisor TRY 6:** - Much faster come to the conclusion that this [the private banking services] might not be the right type of service for him. It's like this, when you don't have very much money and you pay to receive those services and they are not perceived as good… that's a good basis for the relationship to head in the wrong direction where dissatisfaction becomes an issue. It might be better to say: "Ok, you might not need what we deliver. You would have been satisfied with my services under these and these circumstances, we may instead find a solution that won't cost you anything". In a way been more specific about this at an earlier point in time.

### *8.1.5 Concluding discussion on the types of processes*

When reading the descriptions of the fading processes it must be kept in mind that focus has been kept on the customer's *perceptions*. Although for example a crash landing process may have had contextual reasons, meaning that the private banking unit did not cause the crash, it is still here characterised as a crash landing since the customer's *perception* of the relationship development is conceptualised as such. This could also be related to the conceptualisation of the altitude drop process. Although the altitude drop process is discussed as smooth, the word "drop" does not necessarily communicate something that happens gradually. Since the ideal types are focusing on the *perception* of the process, the drop would rather mean a bump or a temporal shift downwards. It is of course recognised by the party noticing the drop, but it is not something that causes a turbulent change in the relationship.

The ideal types presented above are furthermore, as stated before, descriptions of typical processes that do not necessarily capture all details in the portraits provided in Chapter 6. The ideal type processes are abstractions, which also implies that some of the portraits could be defined as a mixture of two ideal type processes. Since the data founding the descriptions is complex, it is consequently also problematic to draw precise lines. The role of the ideal type descriptions is to abstract the information presented in the portraits and create possible ideal types. The discussion on the differences between these ideal types will consequently help reinforce the reasons behind conceptualising the processes as presented in this dissertation.

The relationship roots describe factors that may influence the relationship to become more prone to fading or dissolution. They are fairly similar in many cases, but there seem to be differences looking at the previous relationship to the local branch office. There may be more problems involved in relationships where a previously dissatisfying or problematic relationship "contaminates" the relationship that is initiated. This could indicate that a satisfying relationship is more easily obtained if the customer initiates a relationship due to the new party's inherent qualities, instead initiating a new relationship purely on the notion of running away from the poor qualities of the previous relationship. As Tähtinen (2001) states, predisposing factors are rather static or structure-like and do not provide a basis for differentiating the processes from each other. They are more helpful in deciding whether the circumstances surrounding the relationships may influence the development process. One of the predisposing factors, the actor-related factor describing the customer's previous experience and knowledge regarding wealth management services seems however to differentiate the process types from each other. Different backgrounds probably create different types of expectations. It would be interesting to look closer into the drivers of expectations. Before looking at what type of expectations a relationship is built on, the creation of expectations constitutes an important area. The current focus on the relationship process makes it however less interesting to delve deeper into antecedents of fading relationship processes. It is nevertheless an interesting area for further research. Expectations are here touched upon, but demand further conceptualisation and empirical foundation in order to fully understand their impact on the fading process.

As stated before, fading is related to staying just as much as it is related to ending. Relationships are here believed to constantly alter between staying and ending moods. Nyberg (2002) argues for two new concepts, changing and preserving forces that may be valuable for the understanding of changes in a relationship. The change itself is interesting from a fading point of view since the wording of fad*ing* relies on the underlying assumption that something is changing. Although a customer may say that the relationship to the bank is rather stable, constant change within this relationship seems to be taking place all the time. This makes it difficult for the customer to assess the state of the relationship. It is always transforming and never really reaches a stable point of departure.

The different "compasses" outlining the dynamics of the components of relationship strength differ between the different types of fading processes. The crash landing process compasses shows for example larger differences between the initial state and the outcome compared to the altitude drop process compasses. Relating back to Figure 41, the rope (relationship) becomes more fragile in the crash landing compasses compared to the altitude drop processes. The altitude drop process shows weakening behavioural components whereas the try out processes more often have neutral conative components when initiating the relationship illustrating the indecisiveness regarding the future of the relationship already from start. There is however also internal differences between the portraits presented in the same ideal type. Even though the compass is a good instrument to visualise what is happening to the components of relationship strength, it might not be the ultimate tool for describing for example the changes in the fizzle out process. It has already been concluded that there are no distinct phases in these types of relationship, which makes traditional structures like the compass less appropriate for the purpose of showing what is happening. It is however believed that main characteristics of the dynamics of a weakening process may be captured with the help of the instrument which makes it valuable for the understanding of fading.

The termination of a customer relationship could take place when the relationship is weak just as well as when the relationship is strong. A strong relationship with the intentions to stay or a weak relationship with the intentions to end the relationship might be the most obvious type of situations, even though there might be complex processes influencing these situations. There exist however also other situations where the fading relationship is more complex. A relationship that is weak, with no intentions of ending the relationship, could be a question of a natural weakening in the relationship without it being a threat to the existence of the same. There could also be negative bonds or switching barriers present preventing the customer from switching to another service provider. The situation with a strong relationship in combination with the intentions to end the relationship could be influenced by contextual factors, e.g. the type of relationship dissolution Tähtinen (2001) conceptualises as forced. These situations are however not static: relationships are processes, which means that they change.

This dynamic starting point makes it difficult to discern distinct stages or phases in a changing process. Rather than different stages or phases consisting of certain relationship characteristics, it is here believed that these relationship characteristics exist in a relationship all the time, but are emphasised differently and also understood differently by the parties involved in the relationship. Since the relationship context has a large influence on the relationship it may also imply that the involved parties interpret the same or similar events differently from time to time implying that the perception of changes are more interesting than the changes themselves. This is for example captured in research looking at critical incidents where the perception of one incident may vary and influence a situation differently depending on for example the individuals involved, the context surrounding the situation etc. Incorporating this type of thinking into the research on fading processes may increase our knowledge regarding the types of fading processes where one type of episode or situation may lead to a relationship termination while the exact same type of episode or situation does not influence the relationship development at all.

Stages and phases are somewhat unfortunate in the way that they rely on assumptions that one stage should lead to the other. Tähtinen (2001) uses for example stages to describe a dissolution processes but emphasise that these stages do not always follow each other. The four types of fading processes described here are therefore trying to capture the changes of the relationship development in a manner that does not solely build on stages or phases, but rather on change. Stages or phases are however not perceived as deficient types of descriptions. They rather represent *one* type of description. It is here emphasised that other types of descriptions must be revealed as well. Some processes may very well be correctly described with the help of stages or phases while others are not. Ojasalo's (1999) satisfaction capital is for example one way of describing a situation where the satisfaction in some cases evaporates. This evaporation process is one example of descriptions where there are no stages or phases involved in the description of the changing process even though there is a clear change taking place. The fizzle out process is one type of description of such an evaporating process. There are no distinct triggers or phases involved in the process; it rather comes into nothing.

It must nevertheless not be excluded that there may be some type of phases or stages involved with the fading process. Oliver (1997) proposed a model where loyalty was built on four stages going from cognitive to action loyalty. Analysing the fading types of relationships, it is tempting to assume a process development where the strength is weakened in a similar manner, however starting and ending with a behavioural weakening in this case.

Weakening behavioural components of the relationship strength would then constitute the first signals of a fading relationship, which is followed also by cognitive and affective weakening components that influence each other reflecting back on the behaviour. The last stage would constitute a weakening of the intentions to stay in the relationship (weakening conative component), which ultimately reflects back on the customer's decision to continue or terminate the relationship. The different weakening components would be filtered through the general impression of the relationship. Bonds, relationship history, relative importance of the relationship, the economic climate etc. would constitute issues that are considered when making the decision.

This *tentative* framework would imply that an altitude drop could be the first stage in a fading process where the relationship could develop into a relationship crash landing, a fizzle out process, or a try out process. The different stages in the process model may also distinguish the criticality of the process where the behavioural weakening would constitute the start and least "severe" type of fading whereas the last stage, the conative fading, would make up the most critical type of fading with no intentions to continue the relationship with the service provider. This should however be seen as a tentative process model description which would be interesting for future research building on information from a possible quantitative study looking at relations between the components of the relationship strength, the general impression of the relationship, and the dynamics of the relationship process.

The economic climate and the recession in the stock market were of course strong influencing factors in the fading relationships. Private banking services rely heavily on securities, which inevitably influences how both services and relationships are perceived. This is also why an approach acknowledging the influences from the stock market is the most appropriate when studying these types of services. It is impossible to find a period of time that is "neutral" where the stock market does not influence the private banking relationships. The stock market constitutes an active part of the relationship rather than being an outside, passive factor. As stated before, "[…] *ceteris is never paribus*, in the world of research (McGrath, 1982:74)." [italics in original]. Based on the above discussion, it seems however as if this influence behaves differently in different relationship processes.

## 8.2 Managerial implications

The model that has been developed for the understanding of different types of fading processes renders opportunities to focus the attention on particularly important aspects when searching for warning signals preventing relationship termination and understanding relationship dynamics. The four fading processes make it furthermore possible to create management strategies with a focus on the specific characteristics of the outlined types. Understanding the fading of customer relationships represent an area which potentially could have a large impact on a company's ability to successfully manage customer relationships, and represents therefore also an area which has implications for future business success.

The model for understanding different types of fading processes outlines three conceptualisations – relationship roots, the dynamics of the relationship and the drivers of the fading process. They are suggested as important for the understanding of different types of fading processes which implies that they also are essential for the management of fading customer relationships. Gathering information about the aspects that make up the conceptualisations will provide managers with a better platform for proactively identifying and managing customer relationships that are fading, instead of handling relationships that already are terminated.

The discussion related to the roots of the customer relationship illuminates that some issues are related to contextual aspects of the relationship which the bank cannot easily influence, let alone the financial advisor. This makes it even more important to take a strategic approach to fading customer relationships and not delegate these issues to an ad hoc emergency care group, such as a customer complaints unit. They are of course important for taking care of dissatisfied customers concerning minor issues, but there needs to be a proactive thinking underlying the strategies that are created to manage also larger problems related to the relationship.

It is also very important to remember that fading customer relationship processes not always are related to complaints or dissatisfaction. Strategies that focus on the processes that are not triggered by any negative critical incident or dissatisfaction must also be developed. An interesting question becomes therefore also to estimate the criticality of the fading process. Is this fading process critical to the relationship, or is it a normal fluctuation in relationship strength? Are we able to identify our most valuable customers among the fading relationships? Since the financial advisor is one of the most central sources of information and also the actor in the organisation that often stands "closest" to the customer, an open climate where experiences from fading customer relationships are discussed is of importance. Creating awareness among employees and managers at different levels in the organisation becomes therefore vital. These issues along with a careful directing of the gathering of information and knowledge about fading customer relationships improves the possibility to create a basis for a strategic and proactive work with fading customer relationship processes.

It is difficult to observe changes, especially if the actor who is about to observe the changes takes part in the process herself, just as Senge's (2001) frog exemplified. An outside observer may perceive problems or patterns in the relationship whereas it is difficult for the parties involved to “step outside” the relationship and analyse what is happening. The nature of the relationships within the private banking may just as Grönhaug et al (1999) discuss hamper rather than ease the flow of information. This could be true particularly if factors influencing the fading relationship are related to the focal relationship itself. The current private banking organisation building to a large extent on the financial advisor’s ability to maintain and manage the customer relationship is probably a very suitable solution to many customer relationships, as long as things work out as planned. From a managerial point of view it would however be appropriate to examine both the negative and positive consequences of the customer – financial advisor relationship structure. If problematic situations occur, or if the customer due to some reason does not find the financial advisor appropriate for this role, it may cause more damage than necessary to the relationship. There is a risk that the customer, instead of discussing the problems, chooses to terminate the relationship.

The role of the financial advisor is thus very important in private banking customer relationships since he is supposed to coordinate the customer’s needs with the private banking services. Some confusion regarding the financial advisor’s ability to act towards other parties in the organisation is however present in customer stories, where the financial advisor hasn’t had enough authority to solve problems related to for example the local branch office. Creating better ways of communicating problems at the same time as reinforcing the role of the financial advisor towards other parties is therefore important in order to manage problems or negative critical incidents in the relationship and avoid a situation where a dissatisfied customer terminates the relationship instead of discussing problems.

The negative critical incident mapping pilot study indicates however also the opposite problem. Many of the financial advisors believed that relationships were fading, although the customer did not perceive the same relationship development. Financial advisors’ managing altitude drop processes assessed furthermore the general impression of the relationship as weaker than customers did. Focusing on customer loyalty, following satisfaction indices and constantly discussing service quality in an organisation is one way of making sure that customer relationships are managed in the best possible way. It may however also induce financial advisors to interpret every sign of dissatisfaction, complaint, weakened customer interest etc. as critical or harmful to the relationship development. The risk with such a situation is first of all that financial advisors believe that all negative incidents that take place in a relationship may influence the future development and also that financial advisors put time and effort on saving relationships that do not stand in front of a termination. The altitude-drop process shows that even though the customer perceives a relationship as weaker, it may not be critical for the survival of the relationship. Learning how to interpret the signals coming from customers makes it possible to better develop the ability to put resources on the relationships that are on the brink of being terminated and know how to support those relationships where the strength of the relationship may weaken, but where the “criticality” of the process is low. Financial advisors in the negative critical incident mapping study believed furthermore that negative critical incidents happen more often than customers believed they did. Warning signal systems should therefore take a processual approach to the fading phenomenon recognising triggers or critical incidents that seem to reappear.

The perception differences revealed in the NCIM study referring to the assessments of negative critical incidents, the general impression of the relationship and also the assessments of assets under management emphasise an important issue; it is a difficult and complex task to know the customer even in the types of relationships that build on a notion of fairly close interaction and information. This illuminates even more the importance of building knowledge about customers that goes beyond the traditional satisfaction measures and instead searches for a deeper and more multi-facetted understanding of the customer relationship. Private banking customers in particular are furthermore the type of customers that expect and demand the bank to seriously consider their opinions regarding the bank relationship. The filling in of standardized questionnaires every year has by some customers almost been considered an insult and has not been regarded as sufficient for understanding the situation in which the customer finds herself. The gathering of deeper qualitative data is therefore in this context particularly suitable and would also provide better opportunities to proactively manage different types of fading processes.

The description of the fizzle out process shows furthermore that some processes are less easily discovered than others. While the crash landing process may be quite obvious, the fizzle out process occurs more passively due to a weakening commitment coming from both parties in the relationship. Not only looking at what happens, but also looking at what *does not* happen becomes important when analysing drivers of fading relationship processes. With regard to detection problems, the smoothness of the process development might be one answer to why fading relationships are difficult to detect. Warning signals must therefore focus on passive as well as active signals. Whereas complaints may be useful in order to detect crash landing processes, the absence or unwillingness to interact, less interest in information etc. may be signals that better depict the fizzle out process. Another important aspect that must be taken into consideration when looking at fizzle out processes is not only to concentrate on the signals or absence of signals coming from *customers*. The private banking unit or the financial advisor must be able to assess her own behaviour and what risks a certain lack of interaction may convey.

Relationships incorporate at least two persons' thoughts, feelings, intentions and acts. Changes and situations are perceived differently depending on the actor observing the changes. While one actor may perceive a course of events as very turbulent, the other actor may not even notice what has happened. Even though capital growth and investment advice at first glance may seem rather rational, focusing on reports and financial instruments, the customers often invest parts of their lives in the hands of the financial advisors. A falling stock market is therefore not only related to a sum of money, but also to the customer's life, sometimes resulting in strong agony and anxiety. The financial advisor may also express feelings related to the relationship, but is perhaps less likely to perceive the relationship as turbulent as the customer. Emotions or affect are in other words most certainly important components of relationship strength. Being able to follow the emotional journey of both parties involved in a relationship may give valuable managerial insights and support strategies on how to handle a situation where a relationship crash landing situation is about to develop.

It must however be emphasised that negative affective responses to situations or incidents are not always bad. It could for example be assumed that a negative affective component is worse than a neutral affective component. Neutrality is however not necessarily better than negativity from a retention point of view. Looking at some of the stories there is a tendency among customers to “give up”, feeling hopelessness since no matter what she does, it doesn’t matter. This could for example explain why a customer exits a relationship instead of voicing her dissatisfaction. If the situation is bad enough there is no point in complaining. From a retention perspective, a negative attitude may sometimes be more fruitful since it could bring forward a feeling of wanting to change, instead of giving up.

The private banks’ ability to admit mistakes or at least discuss problematic issues could constitute an important aspect related to the development of the relationship and the ability to manage fading processes. This was highlighted in the pilot study since negative critical incident no. 19 (The bank does not willingly admit miscalculations concerning investment issues) ranked as number four on customers’ problem index. The same negative critical incident was ranked as number 14 according to financial advisors. Avoiding the feeling of hopelessness with the aim of preventing a relationship termination could imply an improved ability to admit mistakes.

> **Customer CRASH 3:** I think, it could possibly have saved our relationship if he would have said, yes, I completely failed, yes, we’ll try to handle this. But it wasn’t… that was out of the question.

The financial advisors perspective of the fading customer relationship processes gives more impartial insights into the fading of customer relationship processes. Some issues brought up by customers that normally would have been seen as “mistakes” made by the financial advisor, becomes in the light of the financial advisor’s version more comprehendible. Unrealistic expectations, demands that goes beyond what is possible to deliver, explanations to the absence of interaction etc. gives a more complex picture of what is actually going on in the relationships. The possibility of terminating a relationship before it turns problematic is one managerial strategy that might be interesting to emphasise more clearly. It is here important that there is no prestige involved with the termination of a customer relationship. Taking a holistic approach to customer perceived value may turn the termination of a relationship into something that actually strengthens the possibilities of a future relationship and therefore also the potential of future profitability. Continuing a problematic relationship may therefore cause more harm than managing a “beautiful exit” (Alajoutsijärvi et al, 2000) where the relationship deliberately is terminated.

Some customers have furthermore questioned the concept “advisor”. Since the financial advisor only promotes products and services offered by the bank group, there is no distinct difference between the advisor role and a salesperson role. To customers having little knowledge about wealth management services it is not always clear that the role of the advisor does not incorporate knowledge about services offered by other financial institutions. Even among customers having experience from buying those types of services, this salesperson/advisor role is questioned and debated.

Emphasising the *advisory* content of the services would not only increase the trustworthiness as an advisor, but also render possibilities to develop the relationship value during economic downturns. It is important that the private banking unit clarifies what types of services they are selling and communicate the value of the services even if the market situation changes. There is otherwise a risk that extra services become rather an insult to the customer when the core service does not work out. If the *management* of the capital instead of the *growth* of the capital stays in focus, as well as a wider range of services are promoted as contributing to the relationship value, it will also probably be easier to manage customer relationships in turbulent market conditions. Situations where a weakening relationship value due to diminished assets leads to fading or termination may therefore be avoided.

Putting time and energy into recognising fading must however not only be delegated to the financial advisors as yet another task. If strategies coming from top management emphasise the importance of creating a large customer base, it is hard to expect that the financial advisors would willingly contribute with information that could place the financial advisor in an unfavourable light.

The described try out process puts the focus on the question of whether the right types of customers were initiated in the first place. In an organisation where the building of a large customer base stayed in focus during the initial years, fading relationships may be a consequence of initiating the wrong customers. Introducing the private banking unit as a solution to a dissatisfied customer is one example where there is a risk that the relationship was initiated on the basis of the wrong reasons from the start. Making the private banking services a dump for “difficult” customers may lead to a situation where previous problems follow the customer to the private banking relationship. Analysing the sources of dissatisfaction among potential private banking customers could reveal patterns that would prevent such a situation.

The initiation of the relationship is also important looking at the expectations created when entering the relationship. Looking at the customer’s knowledge about and experience of buying wealth management services may constitute an important factor in order to avoid situations where a relationship enters a fading process resulting in termination. If expectations are fuzzy or unrealistic, this might be a problem. The contact between the financial advisor and the customer therefore becomes very important when starting the relationship.

Even though customers buying private banking services are often highly educated and possess high positions, it does not ensure that they are knowledgeable about wealth management. Establishing that the customer is aware of the types of services she is buying and what the private banking services may involve is important. It is furthermore important to define expectations together with the customer and delve into what these expectations mean. Only establishing that the customer expects an active relationship is not enough. An active relationship could involve frequent interactions, many transactions, customised information as well as it could mean no contact at all during certain periods. The customer may want an active relationship as long as she decides herself when contacts are taken as well as thinking of an active relationship as a relationship where the financial advisor is the only active party. Financial advisors also have expectations with regard to the customer's activity. Making clear to the customers what is expected from the point of view of the private banking unit is just as important as the other way round.

It must also be recognised that the customers represented in the current study often are company owners, or to a large extent involved in different companies. The private economy is therefore often intertwined with the company's economy making it important that strategies for the future not only take the private economy into consideration, but also consider issues related to the company. Managing this type of relationship makes it important to look at reasons for fading not only present in the relationship to the financial advisor or the private banking unit, but also related to other relationships within the bank group. Strategies managing fading relationships must take a holistic approach where not only the focal relationship stays in focus, but the network of relationships in which the customer is involved.

The purpose of this dissertation is finally to *define and describe fading, 2) reveal different types of fading customer relationship processes, and 3) analyse the dynamics of these processes.* The managerial implications are therefore concentrating on discussing these issues from a holistic perspective instead of looking at specific warning signals for different types or deciding what type of information that is needed in order to detect a certain fading process. This discussion is believed to be more fruitful if applied to the particular contexts in which potential private banking managers may find themselves. It is however believed that the questions that have been raised and the understanding that may have been deepened when reading this dissertation may provide managers with ideas that could be implemented in their organisation.

## 8.3 Theoretical contribution

The purpose of this dissertation, focusing on defining and describing fading, reveal different types of fading customer relationship processes and discussing the dynamics of these processes, has been fulfilled. The theoretical contribution of this dissertation lies in the exploration of the fading concept, which represents a new approach to research within this tradition. The fading concept has been defined and described where the specific characteristics of the phenomenon has been discussed. Fading processes differ from dissolution, exit, termination, and switching, as they do not assume that the relationship will terminate. It takes therefore a larger aspect of the relationship into account as a relationship could build on constant changes in relationship strength. Since there has been a lack of studies focusing on the weakening process, valuable insights into the weakening of relationship has been achieved.

Fading furthermore also differs from total and partial switching, exit, dissolution and termination since it does not necessarily start from a behavioural detachment. Fading could happen in the mind of the parties involved, which implies that there are difficulties detecting fading customer relationships. The findings presented discuss these difficulties providing a better platform for further research into the possibilities of also discovering attitudinal changes to the customer relationship, and not only behavioural changes. The different types of processes shows furthermore that the fading of customer relationships may differ from on relationship to another which emphasises that it is important not to study fading from one perspective only. Fading must be revealed with the help of different sets of perspectives where not only one driver is revealed, but a number of (in some cases cumulative) influencing factors are illuminated. The types of processes revealed in this dissertation help explain fading that is not only driven by one factor or described through one generic process. The complexity of fading is illuminated through descriptions of the relationship roots, the dynamics of the relationship process, and different types of drivers of the fading processes. The dynamics of the processes is also analysed and discussed comparing the types of processes and their main characteristics.

The conceptualisation of relationship strength according to the components helps describe the dynamics of the fading process. The "compass" (Figure 18) illustrating the changes in the components constitutes an interesting instrument for developing a more complex description of the weakening process where the behavioural weakening constitutes one of four important aspects. This description contributes theoretically to the understanding of the relationship strength concept which here is presented within a new framework.

Understanding fading customer relationship incorporates furthermore the understanding of the whole relationship. The framework presented in chapter 3.9 takes the relationship dyad, the relationship process, the relationship context and also the nature of the service into consideration. The current dissertation also contributes to a better understanding of professional financial services where the specific nature of these services is taken into consideration. This is particularly obvious in the discussion on the task-related predominating factors where the complexity of the services is seen as having a large influence on a possible fading process.

The proposed model promoting an increased understanding of factors that discern different types of fading processes also incorporate this holistic approach to the relationship. The roots of the relationships represents a new conceptualisation emphasising the understanding of the relationship context and background instead of just focusing on the fading phase itself. Taking the whole relationship into consideration also involves a process perspective on fading. The current dissertation therefore also contributes to the understanding of weakening relationship *processes* where the potential for learning about relationships is large. The dynamics of the fading process emphasises the need for not only gaining a static understanding of fading, but also incorporating aspects such as the pace of the relationship development as well as the dynamic components of the relationship strength related to the general impression of the relationship.

The dyadic approach to understanding fading business-to-consumer relationships opens up an increased understanding of both parties' influence on the process. The counteracts of both parties must be taken into consideration in order to retrieve the holistic understanding that is searched for here. This represents an interesting approach to private consumer relationships since most of the previous studies only have considered one of the actors (normally the customer).

Not only understanding the relationship itself, but also the relationship context becomes however clear when analysing fading. The relationship context is here taking an active part of the relationship and should not be considered as something outside the relationship that influences the development from time to time. One of the shortages of relationship marketing is a too strong focus on the focal relationship. Allowing the relationship context to become an active actor (illustrated in Figure 44) influencing not only the focal relationship, but also other relationships with companies as well as other influential actors related to the customer will provide a better basis for understanding relationship development processes.

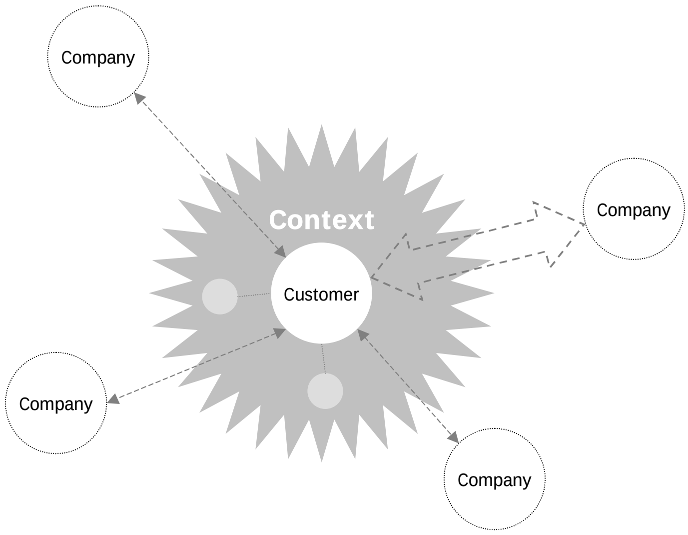


**Figure 44: The context as an active actor**

The theoretical framework illuminating the fading phenomenon takes service marketing and relationship marketing literature as well as consumer behaviour and industrial marketing literature into consideration. The intersection of these areas concentrates on the relationship between the end customer and the financial advisors representing the private banking unit relationship. Taking such an approach allows for a more holistic approach where the understanding of other important relationships, the understanding of the focal relationship interaction as well as the understanding of attitudinal aspects of the minds of the parties involved is possible.

## 8.4 Criteria for evaluating the dissertation

The framing of the problem presented in this dissertation is not the only possible way of discussing fading; multiple perspectives exist on the basis of which the fading phenomenon could be discussed. This section of the dissertation will discuss two other possible approaches to fading phenomenon as well as criteria making it possible for the reader to evaluate the knowledge gained from reading the dissertation and establish whether the dissertation seems trustworthy. The reason for introducing this discussion in the end of the dissertation comes out of the assumption that it is important to relate this analysis with regard to the entire dissertation and not only to methodological considerations taken when conducting the empirical study. Criteria for evaluating the dissertation should be applied to the focus and purpose of the dissertation. The discussion is therefore introduced with an examination of other possible approaches to understanding fading. However, the criteria should also consider how the task has been approached, the forming of the theoretical framework, methodological considerations, the presentation of results as well as the analysis of the information at hand. This section is in other words not merely an analysis of the results produced, but rather an analysis of the trustworthiness of the whole dissertation.

### *8.4.1 Possible approaches to the problem*

Different approaches to understanding fading have of course developed in my mind during the research process. Two of them will be discussed here from the point of view of the results they would have been able to produce, but also why they were not chosen. The reason for presenting only two strategies (out of all possible strategies) comes out of the theoretical framework influencing the dissertation. Even though this dissertation comes out of the service management and relationship marketing tradition, it has also been influenced by consumer behaviour literature as well as industrial relationship literature. The first strategy presented here would probably have been very suitable if conducting a study in accordance with the consumer behaviour tradition. The next strategy would on the other hand have been a strategy fitting the industrial relationship tradition.

The first interesting strategy would be to look at the problem from an explanatory perspective with the aim of predicting fading customer relationship processes. The underlying assumptions would then involve causal relations between a customer's acts, cognitions, feelings and intentions and the outcome of specific patterns of these indicators. Questions asked with such an approach could include: What indicators should be used to capture different patterns? What patterns lead to fading relationships? Under what circumstances are customers more inclined to fade away? Are some customers more inclined to fade away than others? How are we able to calculate risk groups? Is there a difference between "normal" fading (temporal fluctuations) vs. "critical" fading (leading to relationship termination)? This would give valuable information on the prevention of fading customer relationships, particularly critical fading, and also the possibility to create warning signal systems with the help of customer data base information. The most suitable research technique would probably constitute a quantitative analysis of both customer data base information combined with a questionnaire for existing and lost customers.

However, there are problems involved with this type of approach. This strategy would first of all not give the in-depth knowledge which is sought here. The quantitative testing would assume a deductive approach which would be problematic since there is little research done on fading. Depending on the aim of general applicability, the study would have to be made at different points in time, at least if private banking customers are in focus. Private banking services are to a large extent based on securities. This makes the relationship vulnerable to economic booms and recessions, making it necessary to look at behavioural patterns according to different market situations. There would also be restrictions in the variables used when calculating predictions of fading. It would be very hard to collect data on the multitude of changes that could appear in a relationship (not only behavioural) and how they interact.

There would furthermore be difficulties carrying out the study in a private banking context. Private banking customers are not as numerous as retail banking customers, which would imply questionnaires sent out to the total customer base. Since questionnaires are already sent out for other purposes, yet another would probably cause annoyance among the private banking customers, a risk the bank would not take. One choice would be to build the empirical findings on internal data, which would mean a lost opportunity to study customers that have not shown any behavioural signs of fading but still perceive the relationship as weaker. The other choices would be to get access to another set of private banking customers or instead look at retail banking customers. Building a case strictly on internal data would limit the use of variables to calculate fading even more. Getting access to another private banking unit would not only take considerable time into account, but would probably also meet the same reluctance towards questionnaires disturbing customers. The only possible solution would thus be to abandon the idea of generating knowledge on private banking customers and instead look at retail banking. Since many of the studies made in the financial industry involve retail-banking customers instead of private banking customers, the uniqueness of the study would decrease. Based on the above discussion, it did not seem wise to choose such a strategy.

The other interesting strategy, but from a completely different perspective, would be to understand the role of a network of relationships within the financial industry and its effect on the fading of a focal relationship. This strategy would agree with the ontological assumptions underlying this dissertation and produce a deep and possibly even more complex understanding of fading. The customer would be regarded as an actor in a multitude of relationships within the financial industry, where the understanding of the complexity of this network would stay in focus. Different levels within these networks would have been important to understand. Instead of looking at causal relations, the reciprocal influences from actors within the relationship network would be the centre of attention. Possible research questions would be: How is the network influencing and being influenced by a fading focal relationship? What is the role of the network? What types of relationships exist within the network? What role does the entire network have in the survival of the focal relationship? Could the existence of several bank relationships strengthen the focal relationship? A suitable research strategy could involve case study research where in-depth interviews would be made with all actors in a customer network linked to a focal relationship between the customer and the private banking unit.

However, there are also problems related to this strategy. The problem of taking such an approach is not so much related to the knowledge that would be possible to produce, but instead to the access problems this would render. Getting access to all actors involved in the customer’s network of financial service providers would be hard. The Official Secrets Act would demand an obligation to observe professional secrecy and therefore also a signed contract with each and every financial service provider participating in the study. If some of the financial service providers in a customer network wouldn’t have been interested in participating it would have meant a significant loss of understanding. This possibility is, in a private banking context, quite high since many of these types of banks have a policy not to discuss their customers. It would otherwise be a most interesting approach to fading relationships and would give an interesting contribution to the network effects in a business-to-consumer setting. Based on the above discussion, it did not seem wise to choose such a strategy either.

The basis for choosing the strategy taken in this dissertation is discussed in detail in Chapters 2 and 4 outlining the ontological and epistemological background, abductive approach and techniques used when gathering the empirical data. There are however always downsides to all choices made. These consequences have been discussed in the methodological considerations introduced in Chapter 4. The trustworthiness of the dissertation will in this chapter also be discussed taking a broader perspective incorporating the whole dissertation. Criteria for evaluating the trustworthiness of the qualitative knowledge produced will therefore be considered.

### *8.4.2 Criteria for evaluating the trustworthiness of qualitative knowledge*

Researchers have traditionally used the terms internal validity, external validity, reliability and objectivity in order to establish confidence in the truth of findings, how applicable they are in other contexts, if the study could be replicated, and if the results merely are determined by interests coming from the researcher (Lincoln and Guba, 1985). These criteria for evaluating the trustworthiness of results are sprung out of natural sciences and assume that it is possible to produce and evaluate an objective truth. Taking the ontological approach to reality made in this dissertation, it is not only impossible but also meaningless to re-conduct a study and expect congruent results, making the reliability criteria uninteresting. Trying to find objective “true” knowledge is here not believed to be possible, which constitutes the grounds for the traditional validity construct.

When taking a hermeneutic approach to a phenomenon, validity and reliability rather concern the description of the conditions directing the gathering and interpretation of empirical data making it possible for the reader to see the logic and coherence behind the process (Darmer, 1995). Other types of criteria for evaluating the process of gathering empirical data, interpreting the information retrieved and analysing the results have therefore been suggested for qualitative studies (Denzin and Lincoln, 2000). Lincoln and Guba (1982) propose analogous terms to the measurements of scientific rigour traditionally used within science. Instead of using internal validity to test the truth value, the researcher should test the findings’ credibility. External validity or generalisability looking at the applicability of results should be seen through fittingness, reliability testing the consistency should instead be revealed through auditability, and objectivity applicable to neutrality should finally be tested with the help of confirmability. (Lincoln and Guba, 1982) These criteria have later been conceptualised as credibility, transferability, dependability and confirmability (Denzin and Lincoln, 2000; Lincoln and Guba, 1985). The foundations of this dissertation will therefore be discussed on the basis of these criteria.

### *8.4.3 Credibility*

If the ontological background assumes that not only one reality exists, but rather multiple realities exist in the minds of people, the establishment of truth cannot be done with the help of internal validity facilitating control and manipulation. Truth must instead be established through the testing of credibility and interpretation among the sources from which the data was drawn. (Lincoln and Guba, 1982)

The theoretical framework has grown before, during, and after the conduct of the empirical study described in the abductive approach to the problem at hand. The literature used comes predominantly from articles in reviewed journals, but also from books, book chapters and in some cases conference proceedings. Information on the financial market and in particular private banking has however been difficult to find which has brought forward some references built on consultant reports and reports coming from banks. This information must be considered with this in mind, which also has been stated if using these types of sources in the theoretical framework.

The use of multiple interviewing techniques has led me to reveal different parts of reality and triangulation constitutes also one technique of testing the credibility (Lincoln and Guba, 1982) of the knowledge produced. Triangulation has been used in this dissertation to provide different perspectives on the fading phenomenon in order to make the understanding richer rather than looking for a “truth”. The strategy to take a dyadic approach to understanding fading falls in line with the search for not only providing one perception of reality, but at least two perceptions of the same development process increasing the richness of the described and analysed phenomenon. This has provided valuable insights and is believed to have improved the credibility of the results presented.

The abductive research process has resulted in four different studies with the aim of illuminating the fading phenomenon. The two first studies created a pre-understanding of the problem whereas the third and fourth studies were more focused on the problem at hand. A total of 70 qualitative interviews have been made providing a multitude of actors to give their perspective on fading relationships. This is believed to provide a basis for a more credible approach to fading where not only one type of actor has been included in the building of knowledge, but several different actors. All 70 qualitative interviews were furthermore conducted, interpreted and transcribed by myself, except for four interviews in the final study (Semi structured goal-directed theme interviews), which were transcribed by another person. This ensures a more consistent basis for interpretation, although it also might influence the confirmability of the study.

When making interviews, especially if the theme as in this case is somewhat sensitive to the respondent, there is sometimes a feeling that the whole truth may not have been revealed after an interview. Questions remain unanswered not because they weren’t asked, but because they couldn’t be asked. One example constitutes interviews with customers in the fourth study that in some cases were extremely disappointed and where affective negative nuances were constantly present in the stories, blaming for example the private banking unit for not doing things properly. Although it could be maintained that questioning the respondent’s answers or stories during the interview would be the right thing to do, it must be weighted against the risk that the respondent would not want to continue the interview, or the possibility that the respondent would in this case contact the private bank and complain about the methods of inquiry risking that the project could be interrupted. In this case, the method of taking a dyadic approach to fading has been very valuable.

When conducting the interview with the financial advisor, questions regarding the relationship development have been illuminated from the other party involved in the relationship. What one respondent has said about the other or whatever has been revealed in the other interview has however never been communicated to respective respondents. This is believed to be very important for the respondents' willingness to tell their stories. The ability to listen to both actors' stories made it possible to understand fading from two sides. The cases where the stories went in separate directions provided in themselves a sometimes better understanding for the fading phenomenon, irrespective of which one of them that could be interpreted as "true". Credibility is therefore here interpreted as a way of providing as much room as possible for a multitude of perspectives on the phenomenon.

Providing an opportunity for the respondents to read through the interview transcriptions and the portraits presented in the dissertation would also have provided a better possibility to guarantee the testing of credibility and interpretation. There are however downsides to this type of tests and one important role for the researchers is to assess different negative consequences with regard to the ability of providing rich information on the phenomenon. Respondents' cutting out sentences or phrases due to the awkward feeling of reading spoken language is one risk of doing so. Another constitutes the risk of respondents experiencing that their story contains too many details making it possible for a reader to reveal the respondent's identity since the respondent is not able to see all the other stories which may be very similar to her own. Respondents may furthermore not recall in what context a question was posed and an answer was given, providing that they change the meaning of what is said when reading through the text into something else.

This measure has therefore not been taken in the current cases, which constitutes a possible lack of scientific rigour. Due to problems that had occurred with regard to gaining access to customers, a decision was made not to send the interview transcripts to the respondents so as to avoid losing valuable information within an already limited group of respondents. Since all stories were matched, losing one respondent would consequently mean losing two respondents. Measures have instead been taken when creating the customer portraits. The customer's gender has in some cases been changed whereas not in other cases, information that does not contribute very much to the understanding of fading has been left out in the portraits as well as information such as names and cities making it difficult to relate the portraits to a specific individual, without interfering with the credibility of the results. Changing the gender of a portrait could of course have been a serious falsification of results if the problem focused on what type of customers that most often developed fading customer relationships. The current focus lies however on the understanding of the process itself where the gender is not considered decisive since there is no attempt to generalise the results to such a population.

The analysis of the results is also important when discussing interpretation and credibility. Ideal type analysis leaves the researcher with the possibility to interpret the results creating a type of non-existing descriptions of the results, still based on what has been revealed in the information coming from the interviews. The results presented in this dissertation are outlined in the form of portraits providing a reduced picture of the stories told by customers. The decision to keep this format was based on the idea of doing ideal type analysis. This makes it possible for the reader to go back and forth between the descriptions of the portraits and the ideal types and compare if the reflections made are fair. As supported in Weber (1949) and Mintzberg (1984), the ideal types are not, and are not aiming at, presenting an exact statement of reality, rather an idea or abstraction of reality.

Using ideal type analysis starting from a material that is limited in the sense that it builds on a few cases, but on the other hand deep since the information on each case builds on two individuals' perspective on the same relationship development creates consequences for the credibility of the results. The rich understanding building on qualitative interviews with two individuals makes it possible to capture a broad understanding of the ideal types. The narrow approach building on a few cases conveys however that these ideal types only outline a small part of all fading processes possible, and furthermore that the four types outlined may represent extreme cases. This would be a problem to the credibility of the results and analysis if the aim would be to generalise the knowledge retrieved from the dissertation. Since the four types of processes should be understood as *one* perspective on how fading could be revealed and understood, this "lack" is not interesting from the ontological background presented in this dissertation.

### *8.4.4 Transferability*

If the results do not seem credible, there is no point in asking whether they are applicable to the situation in which they are found. Credibility is thus a prerequisite for testing fittingness. According to Lincoln and Guba (1982) the term generalisation is only applicable to a particular audience. "It is up to each audience to determine what, if anything, the information means and to determine for itself the information's applicability. The principal burden of synthesis always lies with the recipient of an evaluation report; it cannot lie with the evaluator" (Lincoln and Guba, 1982:117). Since generalisability attempts to propose context-free results, it does not apply to behavioural sciences since the context is always present (Bonoma, Bagozzi and Zaltman, 1978). We should instead look into how well the results fit into the context in which they have been assigned (Lincoln and Guba, 1982; 1985).

The current setting for understanding fading processes constitutes professional financial services, more precisely private banking. Lincoln and Guba (1982; 1985) recommend thorough descriptions of the context in which the phenomenon is studied in order for the reader to evaluate the applicability of the results. This notion has been captured in the current dissertation through a discussion on the specific character of professional services with emphasis on private banking relationships. A discussion on financial services is also presented where this specific context's influence on the fading of relationships has been outlined. The results of the analysis shows that the results are indeed context specific; it has even been suggested that the context should be incorporated as an active actor in order to fully understand how fading processes develop. The abstraction of the knowledge retained from conducting ideal type analysis should therefore not be seen as context free, but instead be understood as a description of relationship processes depicting specific conditions. The abstraction of the processes may however be understood as a means for understanding also other types of services where similar conditions are present. It should in these cases however be considered as one perspective through which the relationships may be considered, rather than a tool for immediate comparison.

The theoretical frame of references has furthermore stated that literature on industrial relationships has influence the understanding of the relationships found between financial advisors and private banking customers. It has at the same time been pointed out that the nature of business-to-business relationships differs to a large extent from the nature of business-to-consumer relationship. But it has also been emphasised that the focus has been put on the *interaction* between the end-user and the firm's sales representative when taking influences from industrial market relationships, and that the private banking context suite the type of interaction found in these relationships.

### *8.4.5 Dependability*

Reliability would mean that the same study could be replicated resulting in the same conclusions made in the second study as was made in the first. This notion is not even interesting with the ontological perspective taken in this dissertation since it is believed that every step taken when conducting the study must be interpreted according to the researcher's subjective context and that the measures taken have guided the process in whatever direction it has taken. Replicating such a study is impossible since the research design is so flexible and the research findings are produced by constantly changing interactions between researchers and participants.

Dependability emphasizes that the context within which research occurs constantly changes. Auditability is accomplished when we can follow the researcher's decision trail and assume that the conclusions drawn seem perfectly reasonable (Lincoln and Guba, 1982). The researcher must in other words describe the changes that take place and how they have affected the way in which the researcher has approach the problem at hand.

This criterion is approached in the description of the abductive approach taken in the dissertation. The description outlines how the research has evolved from having a broad focus and narrow understanding towards a narrow focus and a broader understanding in Chapter 2.1 and more detailed when discussing the gathering of the empirical data. The methodological considerations outlined after each description of the different interviewing techniques are attempts to emphasise both the positive and negative consequences of taking a specific approach.

It is however here believed to be hard to, in detail, follow the winding path on which the research has been done. Certain theoretical or empirical influences have guided the research in distinct directions in some points in time which are easily described in an outline of the abductive research process. It is however true that the process of doing research is sometimes rather random where the "discovery" of a suitable theoretical field, empirical evidence supporting the analysis or sudden analytical insights may come out of a multitude of small directive incidents joining together and becoming obvious at the most unexpected points in time. Describing this multitude of insights is rather difficult and maybe not even interesting for the audience who is about to judge the trustworthiness of the dissertation. These "discoveries" are however important for the research process in the way that they seem to make the effort worthwhile.

### *8.4.6 Confirmability*

Confirmability relates to the test of neutrality, which is associated to the criteria of objectivity in conventional scientific criteria. Lincoln and Guba (1982) state that no human being can ever be objective. It is in other words impossible for a researcher to rid herself from the fact that she is a subjective individual whose thoughts have influenced the research project from the very beginning, even when deciding in what subject area to write the dissertation. Confirmability establishes however that data and interpretations of the information retrieved were not merely fabrications of the inquirer's imagination. The research must be able to show that findings and interpretations are linked to the data gathered. One attempt to show that findings and interpretations are linked to each other in this dissertation is to provide the portraits of the fading processes to the reader for him to be able to follow the interpretation of the results. The methodological considerations discussed in the chapter looking at the gathering of empirical data could also be seen as "check-points" where the methodology used is critically discussed.

Reflexivity concerns the researcher's ability to critically reflect on her role as a human instrument when conducting research (Lincoln and Guba, 2003) which here will be discussed related to the researcher's neutrality. The researcher's experience, qualities and training influence the data and could be perceived as a bias as well as an asset when conducting the analysis. The discussion on credibility, transferability and dependability is one way of showing a consciousness about the role of a researcher and how experiences and training may influence the way results have been interpreted. It is however here believed that these issues in particular constitute advantages rather than disadvantages when conducting the analysis and interpretation of the data. Being able to benefit from these experiences provides the researcher with an opportunity to contribute to the current field of research instead of risking the invention of the wheel over and over again.

In order for the reader to decide the trustworthiness of the dissertation the author's underlying assumptions must be revealed. The most important underlying assumption influencing the content of this dissertation constitutes the fact that I do believe that companies may gain much knowledge from learning about fading and that it is worth trying to build strategies preventing customer relationships from fading away based on the information retrieved from the dissertation. This underlying assumption comes from the tradition of relationship marketing where the management of customer relationships is done with the aim of making relationships last. This may of course have influenced the content of the dissertation in many ways. Maybe in the most prominent way that I do think that it is possible to follow fading relationship processes. This would mean that I do not think that fading just happens without it being possible to observe or possible to reveal patterns associated to the fading. If these underlying assumption had not been present, the result and analysis may have come to the conclusion that fading does not exist and if it does, it wouldn't be possible to observe. My underlying assumptions have in other words made it possible for me to observe fading.

The purpose of the dissertation has therefore been guided by these assumptions. If taking a completely neutral standpoint the first question would be to ask whether fading exists. This question has not been asked, but instead taken for granted and therefore provided the basis for the research. The underlying problem discussed here therefore concerns how to understand fading. Questioning the explorative assumption behind this dissertation could therefore be appropriate. A "true" explorative assumption would state that the phenomenon maybe does not exist. But instead of taking an explorative approach to the *existence* of the phenomenon itself, I take an explorative approach to the *understanding* of the phenomenon. We could say that I know that the jungle exists, but I need to explore how it should be defined with regards to other types of areas, what it may look like, what types of jungles exist, and how the character of the jungle may change. The purpose of the thesis is therefore to 1) define and describe fading, 2) reveal different types of fading relationship processes and 3) discuss the dynamics of these processes.

A framing of the problem with the help of theories looking at the basis for defining the problem at hand and other types of phenomena that are reminiscent of the one in focus has therefore been done. This theoretical framework has of course had an effect on the understanding of the phenomenon. The literature used with influences coming from sociology, social psychology, and psychology shapes the understanding of fading. These theories open my eyes and determine what I am able observe and interpret. If I had taken a perspective based on economics the understanding and consequently also the interpretation of results would have looked different. This achievement (the dissertation) must therefore be evaluated with this in mind. It does not claim to produce any generalisable results or facts. It only claims to produce my interpreted view on a phenomenon that has been examined on a very specific basis.

## 8.5 Future research

There are still many areas that constitute interesting arenas for further research within the field of fading customer relationships. The knowledge developed for understanding different types of fading relationship processes discusses the *outcome* of the process to some extent, but focuses on understanding the process itself. This approach is in line with the definition of fading building on the notion that the process outcome is unknown. Future research looking at the outcome of different types of fading processes may however be very interesting. A fading relationship may end up for example stable but weaker as well as it may be terminated. It would therefore be interesting to analyse the range of different types of possible outcomes that are the result of a fading process.

A quantitative study building on the fading relationship model focusing on depicting "critical" fading relationship processes (leading to termination or damaging the relationship) vs. "normal" fading relationship processes (being normal fluctuations in the relationship) would contribute much to an extended understanding of fading and also the possibility to build strategies aiming at preventing or managing possible critical fading relationships. The detection of normal fading relationship processes renders possibilities to focus resources on the relationships that are more critical instead of managing all fading relationships as if they would lead to termination. Even if a relationship is terminated, there may still be energy left in the relationship that could be reactivated at a later time (Havila and Wilkinson, 2002). These types of outcomes are particularly interesting in the situation where customers buy private banking services, but still stays within the same bank group. The customer may in these situations alter between only using the local branch office during some periods of time and go back to using private banking services when the economic climate makes investments more attractive. This raises the question whether the termination of a relationship is bad for the company or not. An interesting future research area would be to look at the consequences of a termination. Some of the fading processes reveal that the customers are willing to come back although the relationship has been terminated which makes such a relationship ending possibly better than continuing a problematic relationship. This area of research would be very interesting for future research.

The model for understanding different types of fading processes outlined in Chapter 7.4 provides a basis for continuing on the explorative framework and go deeper into specific areas of the model. Although some issues related to the dynamics of the process is revealed here, it is still important to continue examining the process perspective and the dynamics of fading customer relationships. A tentative process framework looking at the dynamics of the components of relationship strength has for example been discussed. Analysing whether the components of relationship strength could be said to represent stages or phases in a fading relationship would be an interesting area for future research. Does the fading process follow a pattern where certain components of relationship strength weaken first, followed by others and would that make it possible to create warning signals based on the weakening components? It would however demand a longitudinal approach to the problem at hand looking at the state of the relationship at different points in time. The filtering role of the general impression of the relationship would furthermore need more analysis in order to determine how different contexts would create the basis for the general impression of the relationship.

Evaporating processes, such as the fizzle out process, are difficult to capture, like watching each and every frame of a film and not until looking back at the first one, realising that a change has been taking place. When playing the film it becomes obvious that changes take place since the playing of the film makes it possible to observe the changes, whereas each film frame only depicts static images of the process. Other types of processes development may also exist, and striving for new types of descriptions of process development will increase our understanding of the fading processes. Focusing on processes that are difficult to describe using stages or phases are therefore of particular interest for future research.

The theoretical framework building on the relationship dyad, the relationship process, the service and the relationship context provides furthermore prerequisites to go deeper into specific areas of fading knowledge. Taking a network approach to fading is interesting where not only the focal relationship to the private banking unit stays in focus, but also other relationships related to other banks, company contacts etc. This would render the possibility to expand the understanding of the context in which the focal relationship finds itself and how this context influences a possible fading process.

The specific types of services discussed here could also constitute subjects for further analysis. Are there differences between professional services and other types of services when discussing fading customer relationships? How much does the area of financial services contribute to the fading of relationships and are relationships built on financial services more or less prone to fading? It could also be discussed whether the economic climate is the only contributor to the turbulence in relationship development processes. Are these types of wealth management services so sensitive to stock market changes that all relationships more or less could be said to be fading during specific points in time? It would in that case be very important to relate the different types of fading processes to the outcome, i.e. if the relationship terminates or not.

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# Appendices

## Appendix A: Introductory questions sent to customers

### Opening questions 1

| Question | | | | | | | Comments |
|---|---|---|---|---|---|---|---|
| **A. How would you describe your relationship to Bank X** | I don't consider myself having a relationship ☐ | The relationship is very weak ☐ | The relationship is fairly weak ☐ | The relationship is fairly strong ☐ | The relationship is very strong ☐ | Don't know ☐ | Please, comment! ........ |
| **B. How has the relationship to Bank X changed during your time as a customer?** | I don't consider myself having had a relationship ☐ | The relationship has become weaker ☐ | The relationship has not changed ☐ | The relationship has had ups and downs ☐ | The relationship has become stronger ☐ | Don't know ☐ | Please, comment ........ |
| **C. Do you think the relationship to Bank X will change?** | I don't think I will have a relationship ☐ | The relationship will probably become weaker ☐ | The relationship won't probably change ☐ | The relationship will have ups and downs ☐ | The relationship will probably grow stronger ☐ | Don't know ☐ | Please, comment ........ |
| **D. Approximately how large share of your capital is handled by Bank?** | Appr ..................... % | | | | | Don't know ☐ | Please, comment ........ |

| **E. How often do you have contact with the bank via...** | 1-2 times/ year | 1-2 times / 6 months | 1-2 times / month | 1 time / week | Several times/ week | Never | Don't know | Please, comment |
|---|---|---|---|---|---|---|---|---|
| **... personal meetings?** | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ........ |
| **...telephone?** | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ........ |
| **...e-mail?** | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ........ |
| **...Internet bank?** | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ........ |

**F. What do you perceive, in general, as important in a bank relationship?**

**You are welcome to mention three issues (or more!)!**

..........................................................................................................................................

## Appendix B: The 39 critical incidents

| |
|---|
| 1: The financial advisor has not fully understood your investment philosophy (e.g. financial goals) |
| 2: The personal chemistry between you and the financial advisor does not work out well. |
| 3: The Private Bank replaces your financial advisor since he/she is transferred to another office. |
| 4: You do not feel comfortable addressing certain issues to the financial advisor when dissatisfied with his/her service, performance etc. |
| 5: Your need for bank services varies during certain periods, something the financial advisor does not seem to perceive or act according to well enough. |
| 6: The communication between you and your financial advisor is rather characterised by a monologue than a dialogue. |
| 7: You have experienced very positive contacts with another bank or fund agent that you are also currently using. |
| 8: An acquaintance of yours, in whom you feel confident concerning financial matters, express him-/herself negatively towards the private banks services. |
| 9: You read or hear negative statements concerning the private bank. |
| 10: You perceive your financial advisor as rather doubtful concerning your contacts with other banks (e.g. loans, funds, etc. at other banks) |
| 11. You have, in certain financial issues, better knowledge than your financial advisor. |
| 12: You notice an obvious mistake done by the bank, but your financial advisor has not observed it. |
| 13: An incorrect business transaction is performed due to a misunderstanding between you and your financial advisor. |
| 14: You experiences difficulties getting concrete investment ideas during times when the market situation is bad. |
| 15: A temporary financial advisor (e.g. substitute during the holidays) does not achieve the same service level as your regular financial advisor. |
| 16: The financial advisor has, during some periods, only time for more urgent tasks. |
| 17: A business transaction is missed (e.g. selling a fund) due to lack of employees at the bank. |
| 18: Investments seem to be based on the financial advisor's intuition rather than proper analyses. |
| 19: The bank does not willingly admit miscalculations concerning investment issues. |
| 20: Basic services, such as bankcards, automatic transfers etc. does not function flawlessly. |
| 21: The Internet bank does not function at certain occasions. |
| 22: The Internet bank is functioning poorly or slowly at certain occasions. |
| 23: There are restrictions in the type of transactions possible to perform on the Internet. |
| 24: The private bank does not offer certain products and services demanded from you. |
| 25: You experience difficulties moving financial capital between different banks, funds, insurances etc. |
| 26: The service level differs to a large extent between different persons at the bank. |
| 27: Fees linked to certain products at the bank do not seem justified. |
| 28: The yearly fee, paid to the bank, does not give you the service you expect to get. |
| 29: You do not experience the service you receive from the private bank as much better compared to the service at the local branch/the bank used before. |
| 30: The financial advisor is not always available. |
| 31: You are not recognised when calling your private bank office. |
| 32: You experience sometimes the financial advisor to be stressed or impatient in contacts. |
| 33: The financial advisor does not contact you as often as you want |
| 34: The financial advisor's interaction modes does not suit you. |
| 35. The bank's general information sent to you (e.g. XX and YY) is poor or incomprehensible. |
| 36: The bank's compilations/summaries sent to you (account or portfolio information) are poor or incomprehensible. |
| 37: Basic information for decision-making and proposals coming from the financial advisor can be difficult to understand or time consuming. |
| 38: You do not consider the bank to have informed you well enough concerning a change (e.g. changes in services, fees etc.) |
| 39: When contacting other bank units you notice a lack of information and knowledge about your total assets managed by bank. |

# Appendix C: General impressions of crash landing processes

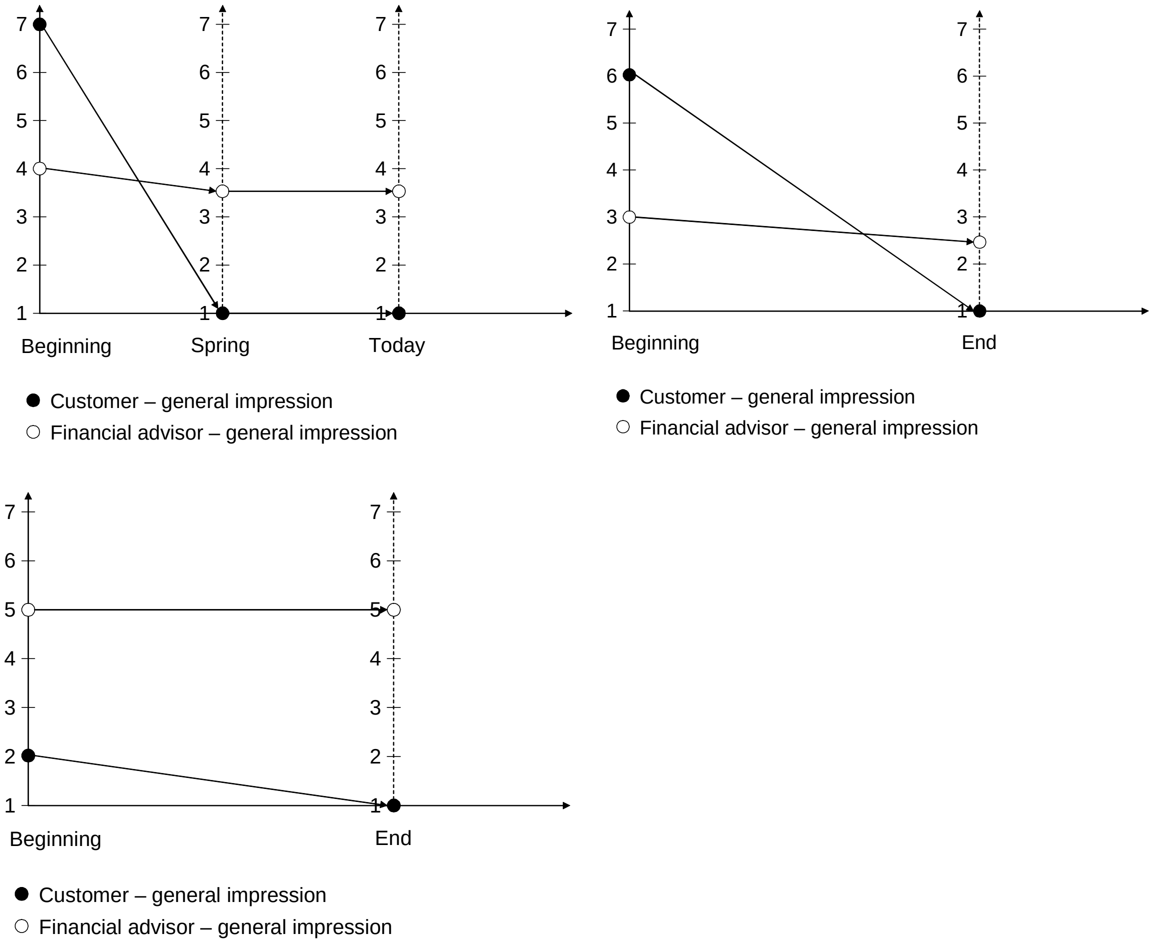



**Figure 45: General impressions of crash landing processes, focal factors**

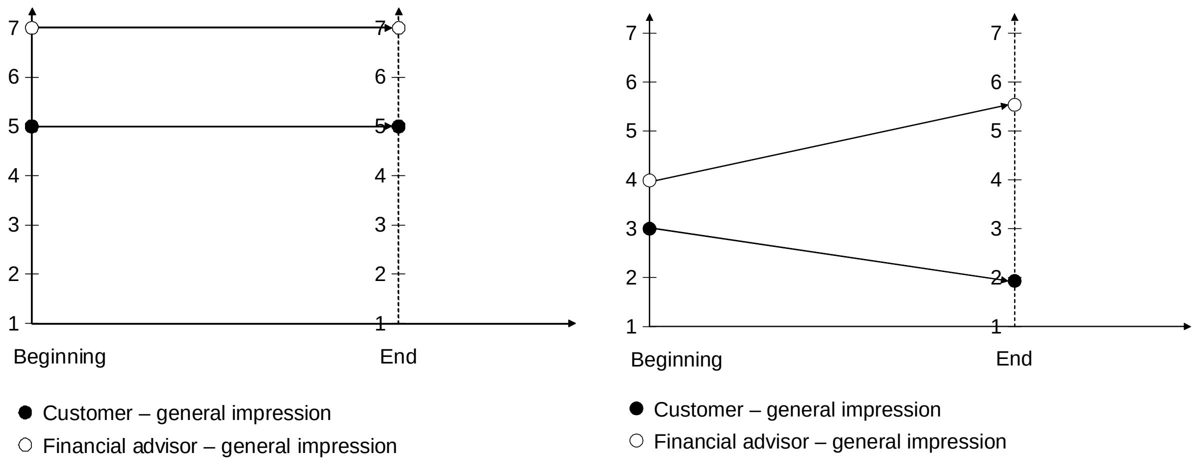



**Figure 46: General impressions of crash landing processes, contextual factors**

# Appendix D: General impressions of altitude drop processes

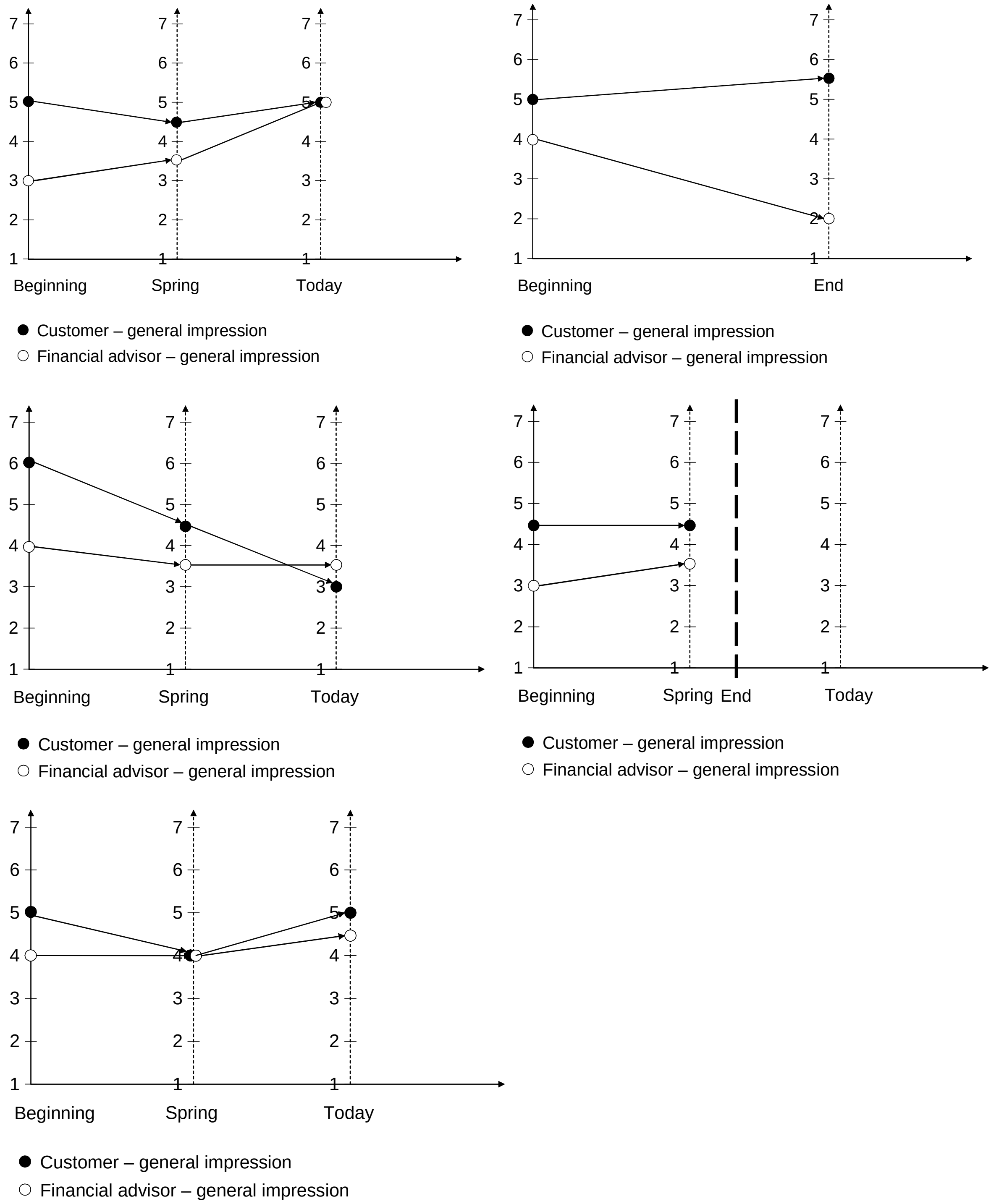



**Figure 47: General impressions of altitude drop processes**

## Appendix E: General impressions of fizzle out processes

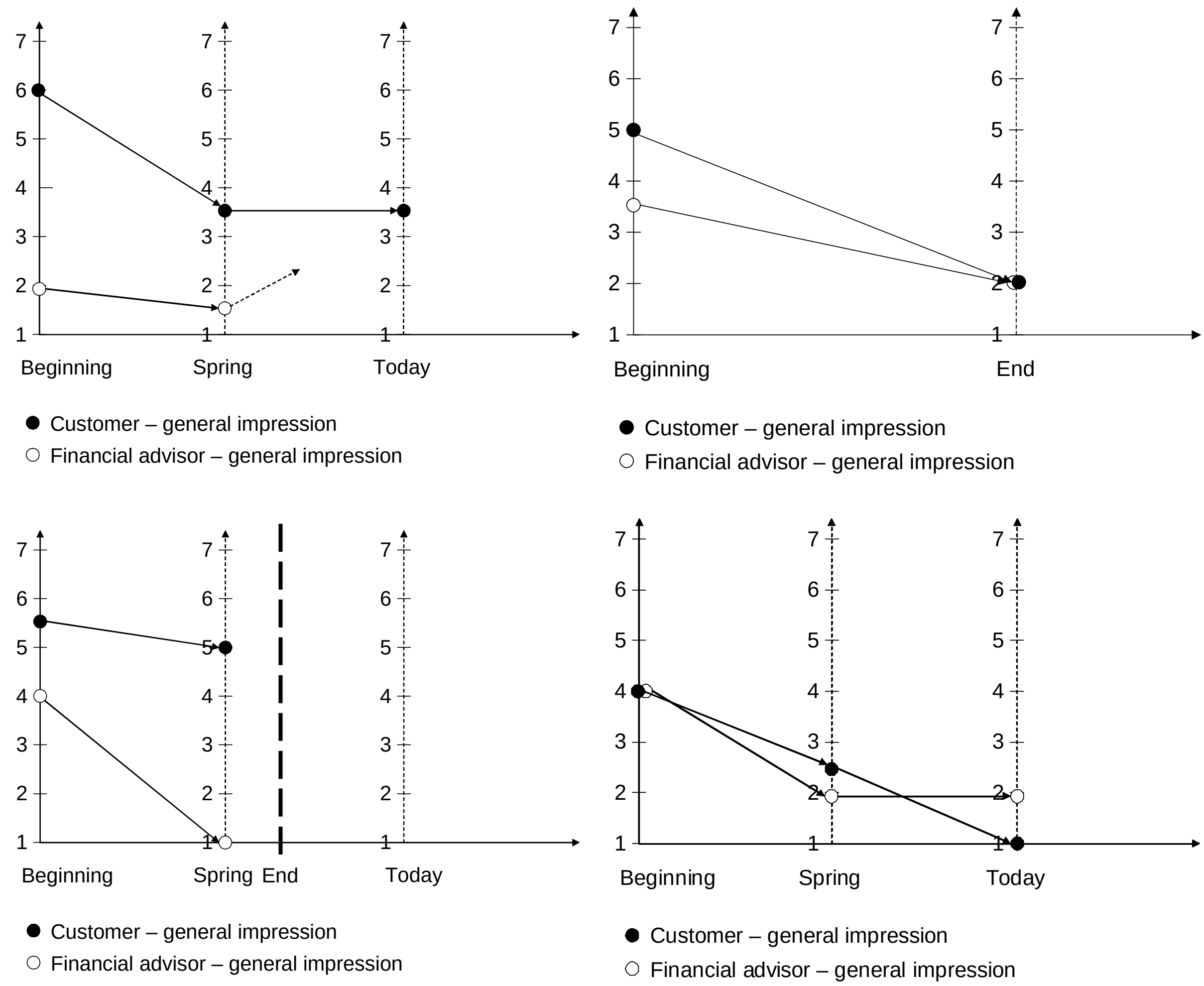
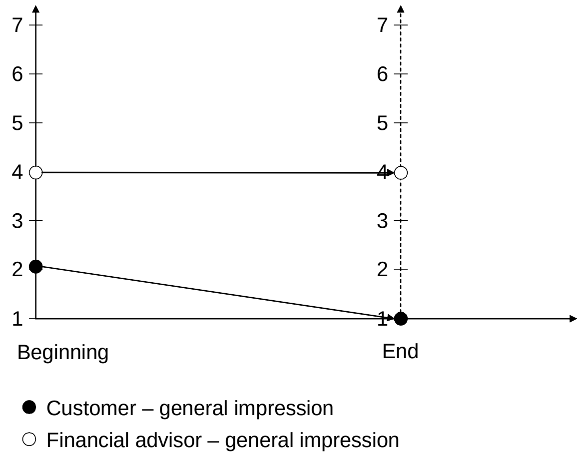
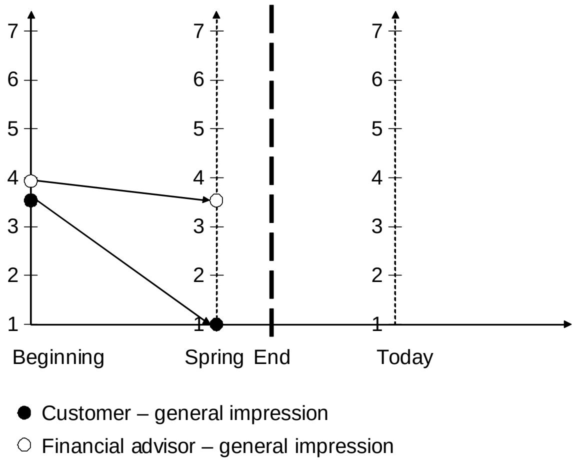
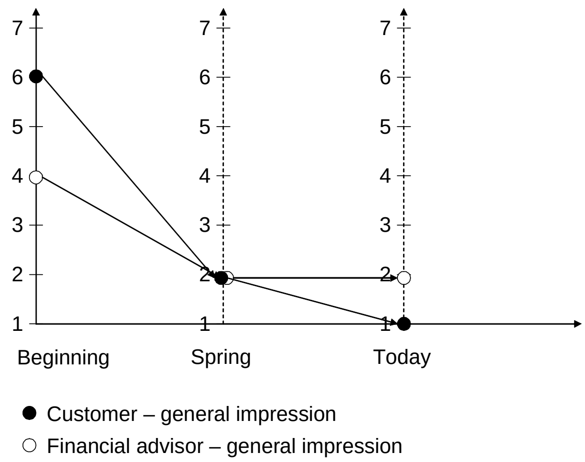


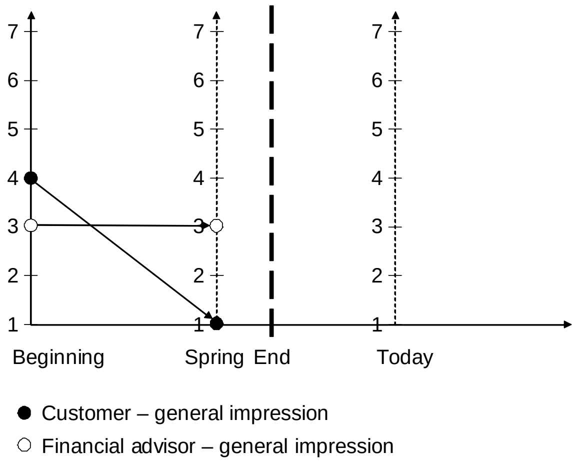

**Figure 48: General impressions of fizzle out processes**

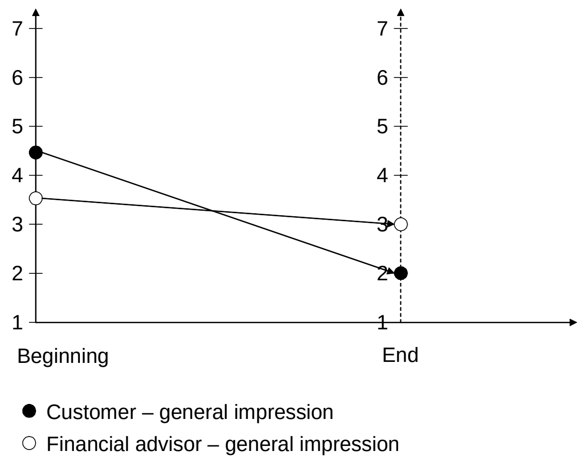
## Appendix F: General impressions of try out processes

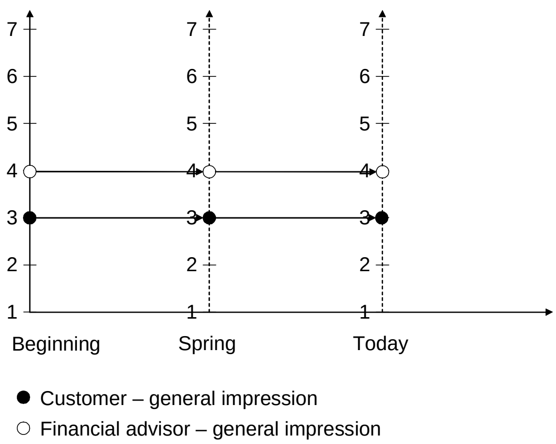


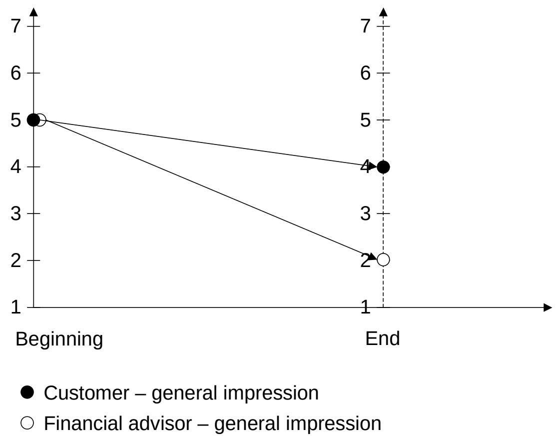



**Figure 49: General impressions, of try out processes**

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